



## **MEETING OF THE BOARD OF COMMISSIONERS**

**December 19, 2016 at 8:30 a.m.**

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

# **A G E N D A**

- I. Call to Order**
- II. Roll Call**
- III. Public Comment**
- IV. Approval of Minutes**
  - Board Meeting Minutes – November 21, 2016 **1**
- V. Approval of Agenda**
- VI. Consent Agenda**
  - A. Voucher Certification Reports for October 2016 **2**
- VII. Resolutions for Discussion & Possible Action**
  - A. **Resolution No. 5557:** Authorizing Higher Payment Standards for the Housing Choice Voucher Program **3**
  - B. **Resolution No. 5558:** Authorizing the Authority to loan up to \$12,000,000 in Moving To Work funds to finance energy efficiency improvements at Public Housing properties; and authorizing the execution of related documents **4**
  - C. **Resolution No. 5559:** Authorizing approval of the Comprehensive Operating and Capital Budgets for the Calendar Year beginning January 1, 2017 **5**



- D. **Resolution No. 5556:** Approval to amend the Procurement Policy and Procedures Manual for the King County Housing Authority

6

**VIII. Briefings & Reports**

- A. New Bank Accounts

7

- B. Third Quarter 2016 Executive Dashboard Report

8

**IX. Study Session:** Leadership Development Update

9

**X. Executive Director's Report**

**XI. KCHA in the News**

10

**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.



# T A B N U M B E R

1



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

**Monday, November 21, 2016**

**I. CALL TO ORDER**

The regular meeting of the Board of Commissioners of the King County Housing Authority was held on Monday, November 21, 2016 at the King County Housing Authority, 700 Andover Park West, Tukwila, WA 98188. 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 8:33 a.m., Commissioner Susan Palmer arrived at 8:35 a.m., Commissioner TerryLynn Stewart, and Commissioner John Welch

**III. PUBLIC COMMENT**

Lillie Clinton, Resident, mentioned that she will be recording her comments and commented on her experience and issues with a neighbor.

**IV. APPROVAL OF MINUTES**

On motion by Commissioner Brown and seconded by Commissioner Palmer, the Board approved the minutes from the Board of Commissioners' meeting of October 10, 2016.

**V. APPROVAL OF AGENDA**

On motion by Commissioner Stewart and seconded by Commissioner Palmer, the Board approved the November 21, 2016 Board of Commissioners' meeting agenda.

**VI. CONSENT AGENDA**

A. Voucher Certification Reports for September 2016

**September 2016**

**GENERAL PROPERTIES**

Bank Wires / ACH Withdrawals	8,838,076.90
<i>Subtotal</i>	<b><u>8,838,076.90</u></b>
Accounts Payable Vouchers	
Key Bank Checks #304965-#305656	5,033,027.74
Tenant Accounting Checks #10220- #10245	4,356.98
Commerce Bank Direct Payment	128,984.89
<i>Subtotal</i>	<b><u>5,166,369.61</u></b>
Payroll Vouchers	
Checks - #90246 – #90276	31,490.65



Direct Deposit	1,297,758.12
<i>Subtotal</i>	<b><i>1,329,248.77</i></b>
Section 8 Program Vouchers	
Checks - #615065-#615378	192,303.50
ACH - #359579-#362444	10,411,612.36
<i>Subtotal</i>	<b><i>10,603,915.86</i></b>
Purchase Card / ACH Withdrawal	173,386.42
<i>Subtotal</i>	<b><i>173,386.42</i></b>
<b>GRAND TOTAL</b>	<b>26,110,997.56</b>
<b>BOND PROPERTIES</b>	
Bond Properties Total (31 different properties)	<b>15,500,666.38</b>

**B. Resolution No. 5554: Authorizing the Executive Director to enter into Intergovernmental Cooperative Purchasing Agreement with Housing Kitsap for Housing Maintenance Software**

On motion by Commissioner Welch, seconded by Commissioner Palmer, the Board approved the consent agenda.

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

**A. Resolution No. 5548: Approval of the 2017-2021 Environmental Sustainability Plan & Resource Management Plan Briefing**

Jenna Smith, Resource Conservation Manager, provided an update on the 2015 Resource Management Plan and presented the proposed 2017-2021 Environmental Sustainability Plan. Ms. Smith highlighted current initiatives and the Sustainability Plan's objectives and goals.

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

On motion by Commissioner Welch, seconded by Commissioner Palmer, the Board approved Resolution No. 5548.

**B. Resolution No. 5555: Acknowledging receipt of the Post Audit Reports for the period January 1, 2015 through December 31, 2015**

Craig Violante, Director of Finance, briefed the Board on the annual audits of KCHA, conducted by the State of Washington - Office of the State Auditor. Mr. Violante explained that two reports; (1) the Financial and Single Audit and (2) the Accountability Audit Report, were created for the period January 1, 2015 through December 31, 2015 to be presented to the Board for review and consideration. Mr. Violante mentioned that there



were no findings in either reports and there were no management letter items.

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

On motion by Commissioner Palmer seconded by Commissioner Stewart, the Board unanimously approved Resolution No. 5555.

## **VIII. BRIEFINGS & REPORTS**

### **A. CY 2016 Third Quarter Financial Report**

Craig Violante, Director of Finance, gave a briefing on the financials for the third quarter of FY 2016. Mr. Violante also provided an update on cash and investments.

### **B. 2017 Housing Choice Voucher Payment Standards**

Andrew Calkins, Senior Program Manager briefed the Board of Commissioners on the development of 2017's Housing Choice Voucher (HCV) payment standards. Mr. Calkins provided an update on current rental market trends, and impact on voucher holders. Mr. Calkins mentioned that staff will return with the HCV payment standards for 2017 at the December meeting for approval.

### **C. Draft CY 2017 Operating Budget**

Connie Davis, Deputy Executive Director provided an overview and background on the draft 2017 Operating Budget. Ms. Davis mentioned that the draft Budget was established with the Board's guiding principles. Ms. Davis briefed the Board on major highlights, Moving to Work Reserves, Working Capital, 2017 Key Initiatives and Personal Services Costs.

### **D. New Bank Accounts**

Craig Violante, Director of Finance, reported that KCHA opened two new business bank accounts in relation to the Abbey Ridge Apartments and Highland Village Apartments.

### **E. CY 2016 Third Quarter Summary Write-Offs**

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

## **IX. EXECUTIVE SESSION**



- A. To review the performance of a public employee (RCW 42.30.110 (1))  
Chair Barnes called for an Executive Session, at 10:12 a.m., as authorized by RCW 42.30.110 (1) (g) – “To review the performance of a public employee”.

The meeting of the Board of Commissioners was reconvened at 10:20 a.m. by Chair Barnes.

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

## **XI. EXECUTIVE DIRECTOR’S REPORT**

Stephen Norman briefed the Board on his most recent trip to Washington DC and mentioned concerns of industry professionals on the transition of the new Administration.

Mr. Norman highlighted a range of uncertainties regarding KCHA’s federal operating environment. The first related to funding levels for 2017, which will be dependent upon what Congress and the new administration decide upon the expiration of the Continuing Resolution currently being developed. Beyond that, he identified potential changes to HUD rules and regulations that could impact KCHA. The decision as to the next HUD Secretary and senior staff team will clearly impact the direction the agency will take.

## **XII. KCHA IN THE NEWS**

None.

## **XIII. COMMISSIONER COMMENTS**

None.

## **XIV. ADJOURNMENT**

On motion by Commissioner Brown, seconded by Commissioner Palmer, the Board adjourned the meeting at 10:34 a.m.

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

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**DOUGLAS BARNES**, Chair  
Board of Commissioners

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**STEPHEN J. NORMAN**  
Secretary



# T A B N U M B E R





**To:** Board of Commissioners


**From:** Linda Riley, Controller

**Date:** November 22, 2016

**Re:** **VOUCHER CERTIFICATION FOR OCTOBER 2016**

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

  
\_\_\_\_\_  
Linda Riley  
Controller  
November 22, 2016

Bank Wires / ACH Withdrawals	9,719,456.54
<i>Subtotal</i>	<b><u>9,719,456.54</u></b>
Accounts Payable Vouchers	
Key Bank Checks - #305657-#306174	5,417,187.76
Tenant Accounting Checks - #10246-#10276	6,551.69
Commerce Bank Direct Payment	76,168.56
<i>Subtotal</i>	<b><u>5,499,908.01</u></b>
Payroll Vouchers	
Checks - #90277-#90303	26,606.27
Direct Deposit	1,325,550.19
<i>Subtotal</i>	<b><u>1,352,156.46</u></b>
Section 8 Program Vouchers	
Checks - #615379-#615695	192,562.99
ACH - #362445-#365335	10,521,245.50
<i>Subtotal</i>	<b><u>10,713,808.49</u></b>
Purchase Card / ACH Withdrawal	208,490.76
<i>Subtotal</i>	<b><u>208,490.76</u></b>
<b>GRAND TOTAL</b>	<b><u>27,493,820.26</u></b>

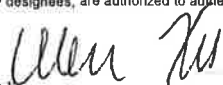


TO: THE BOARD OF COMMISSIONERS, HOUSING AUTHORITY OF  
THE COUNTY OF KING, WASHINGTON

FROM: Wen Xu

SUBJECT: VOUCHER CERTIFICATION FOR OCTOBER 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  
November 28, 2016

Property Oct-16	Wired to Operating Account(s) for Obligations of Property			Notes:
	Date	\$	Claim	
<b>Bellepark East</b>	10/6/2016	\$15,304.72	A/P	
	10/13/2016	\$8,249.33	A/P & Payroll	
	10/20/2016	\$13,846.97	A/P	
	10/27/2016	\$6,881.25	Payroll	
<b>Colonial Gardens</b>	10/6/2016	\$9,100.38	A/P	
	10/13/2016	\$9,858.18	A/P & Payroll	
	10/20/2016	\$23,976.55	A/P	
	10/27/2016	\$4,103.38	Payroll	
<b>Cottonwood</b>	10/6/2016	\$7,849.64	A/P	
	10/13/2016	\$11,598.69	A/P & Payroll	
	10/20/2016	\$8,867.55	A/P	
	10/27/2016	\$6,024.69	Payroll	
<b>Cove East</b>	10/6/2016	\$11,661.59	A/P	
	10/13/2016	\$25,892.58	A/P & Payroll	
	10/20/2016	\$27,280.26	A/P	
	10/27/2016	\$13,449.61	Payroll	
<b>Landmark</b>	10/13/2016	\$28,423.60	A/P & Payroll	
	10/20/2016	\$43,017.95	A/P	
	10/27/2016	\$12,651.89	Payroll	
<b>Timberwood</b>	10/6/2016	\$29,054.82	A/P	
	10/13/2016	\$39,297.27	A/P & Payroll	
	10/20/2016	\$47,134.34	A/P	
	10/27/2016	\$11,846.11	Payroll	
<b>Woodland North</b>	10/6/2016	\$2,942.59	A/P	
	10/13/2016	\$12,104.46	A/P & Payroll	
	10/20/2016	\$19,484.89	A/P	
	10/27/2016	\$4,697.78	Payroll	
<b>Woodside East</b>	10/6/2016	\$18,502.55	A/P	
	10/13/2016	\$47,304.56	A/P & Payroll	
	10/20/2016	\$63,306.64	A/P	
	10/27/2016	\$13,916.97	Payroll	
<b>Allied Consolidated</b>	10/21/2016	\$3,520.00	To Corinthian TOD	Corinthian TOD HAP payments paid to wrong account.
<b>Alpine Ridge</b>	10/6/2016	\$2,841.25	Payroll	
	10/13/2016	\$6,988.33	A/P	
	10/20/2016	\$2,790.60	Payroll	
	10/27/2016	\$11,802.08	A/P	
<b>Aspen Ridge</b>	10/6/2016	\$5,235.69	Payroll	
	10/13/2016	\$14,611.05	A/P	
	10/20/2016	\$6,137.47	Payroll	
	10/27/2016	\$21,066.49	A/P	
<b>Auburn Square</b>	10/6/2016	\$8,348.20	Payroll	
	10/13/2016	\$10,628.29	A/P	
	10/20/2016	\$8,195.32	Payroll	
	10/27/2016	\$30,248.15	A/P	
<b>Carriage House</b>	10/6/2016	\$9,966.25	Payroll	
	10/13/2016	\$14,964.04	A/P	
	10/20/2016	\$9,910.62	Payroll	
	10/27/2016	\$28,150.67	A/P	
<b>Cascadian</b>	10/6/2016	\$12,802.17	Payroll	
	10/13/2016	\$15,970.76	A/P	
	10/14/2016	\$12,580.71	A/P	
	10/17/2016	\$12,580.71	A/P	
	10/20/2016	\$11,839.16	Payroll	
	10/27/2016	\$27,174.64	A/P	
<b>Fairwood</b>	10/6/2016	\$8,666.19	Payroll	
	10/13/2016	\$31,076.47	A/P	
	10/20/2016	\$9,284.07	Payroll	
	10/27/2016	\$15,422.46	A/P	
<b>Heritage Park</b>	10/6/2016	\$5,500.88	Payroll	
	10/13/2016	\$30,382.99	A/P	
	10/20/2016	\$5,135.42	Payroll	
	10/27/2016	\$18,355.86	A/P	



<b>Laurelwood</b>	10/6/2016	\$5,949.54	Payroll	
	10/13/2016	\$13,407.90	A/P	
	10/20/2016	\$6,358.16	Payroll	
	10/27/2016	\$41,400.94	A/P	
<b>Meadows</b>	10/6/2016	\$17,696.58	Payroll	
	10/13/2016	\$15,304.43	A/P	
	10/20/2016	\$5,053.10	Payroll	
	10/27/2016	\$20,373.95	A/P	
<b>Newporter</b>	10/6/2016	\$7,918.77	Payroll	
	10/13/2016	\$13,548.67	A/P	
	10/20/2016	\$6,809.95	Payroll	
	10/27/2016	\$19,587.38	A/P	
<b>Parkwood</b>	10/6/2016	\$5,080.90	Payroll	
	10/13/2016	\$28,244.13	A/P	
	10/20/2016	\$5,076.85	Payroll	
	10/27/2016	\$11,772.05	A/P	
<b>Somerset East</b>	10/6/2016	\$4,294.94	Payroll	
	10/13/2016	\$13,294.78	A/P	
	10/13/2016	\$16,586.25	Debt Service	
	10/20/2016	\$5,010.95	Payroll	
	10/27/2016	\$6,039.01	A/P	
<b>Somerset West</b>	10/6/2016	\$4,830.65	Payroll	
	10/13/2016	\$10,810.98	A/P	
	10/13/2016	\$23,064.17	Debt Service	
	10/20/2016	\$4,200.83	Payroll	
	10/27/2016	\$18,048.72	A/P	
<b>Walnut Park</b>	10/6/2016	\$5,614.03	Payroll	
	10/13/2016	\$15,968.53	A/P	
	10/20/2016	\$0,027.25	Payroll	
	10/27/2016	\$43,378.68	A/P	
<b>Windsor Heights</b>	10/6/2016	\$33,844.76	Payroll	
	10/11/2016	\$4,169.00	A/P	
	10/13/2016	\$28,358.79	A/P	
	10/20/2016	\$15,950.46	Payroll	
	10/27/2016	\$77,610.59	A/P	
<b>Woodridge Park</b>	10/6/2016	\$11,533.65	Payroll	
	10/13/2016	\$38,185.36	A/P	
	10/20/2016	\$14,075.93	Payroll	
	10/27/2016	\$44,754.02	A/P	
<b>Glisan Square</b>	10/5/2016	\$30,862.39	A/P & Payroll	
	10/19/2016	\$57,764.47	A/P & Payroll	
<b>Meadowbrook</b>	10/5/2016	\$ 33,994.30	A/P & Payroll	
	10/19/2016	\$ 49,210.42	A/P & Payroll	
<b>Villages at South Station</b>	10/5/2016	\$23,401.18	A/P & Payroll	
	10/19/2016	\$41,603.11	A/P & Payroll	
<b>Bellevue Manor</b>	10/21/2016	\$451,560.70	To KCHA	Closing Account
<b>Charter House</b>	10/21/2016	\$19,264.53	To KCHA	Closing Account
<b>Northwood Square</b>	10/21/2016	\$135,605.39	To KCHA	Closing Account
<b>Patricia Harris</b>	10/21/2016	\$372,101.49	To KCHA	Closing Account
<b>Vashon Terrace</b>	10/13/2016	\$5,454.69	A/P	
<b>Rainier View I</b>	10/12/2016	\$13,624.10	A/P	
	10/20/2016	\$16,785.26	A/P	
<b>Rainier View II</b>	10/12/2016	\$11,330.35	A/P	
	10/20/2016	\$9,700.45	A/P	
<b>Si View</b>	10/12/2016	\$2,370.21	A/P	
	10/20/2016	\$19,812.38	A/P	
<b>Highland Village</b>	10/6/2016	\$19,878.59	A/P	
	10/27/2016	\$8,439.41	A/P	
<b>Portfolio Total:</b>		<b>\$3,002,628.67</b>		



# T A B N U M B E R

3





**To:** Board of Commissioners

**From:** Andrew Calkins, Senior Program Manager

**Date:** December 13, 2016

**Re:** **Resolution No. 5557:** Authorizing Higher Payment Standards for the Housing Choice Voucher Program

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### **Executive Summary**

At the November 2016 Board of Commissioners meeting, staff provided a briefing on the annual review of KCHA's multi-tiered Housing Choice Voucher (HCV) payment standards and an initial look at proposed adjustments to the payment standards for 2017. Given the continuing rapid upward trajectory of market rents in all of King County's submarkets over the last year, increases that have made the Seattle region the fastest appreciating rental market in the country, staff is recommending substantial increases in payment standard levels. These increases are necessary in order to prevent the dislocation of existing voucher holders, limit shelter burdens, and continue to foster geographic choice. At the December Board meeting, staff will provide final proposed payment standards for the coming year, discuss the proposed implementation schedule and review the impact of these changes on the CY 2017 budget.

### **Background**

Following the adoption of multi-tiered payment standards in February 2016, KCHA committed to a regular review of payment standards for each tier, generally on an annual basis. Ensuring that payment standards continue to align with local market conditions is critically important to the HCV program's success. Payment standards that are too low result in higher rates of shelter burden and make it more difficult for families to find and remain in safe and affordable housing. Further, payment standards that are too low limit geographic choice and concentrate poverty.

### **Discussion**

As discussed at the November board member, this year's review of payment standard levels has included program indicators such as the shopping success rate, resident shelter burden, the rent levels of recently-leased voucher holders, and a host of market rental data including vacancy rates and projected future rent increases. These data points have been supplemented with feedback and knowledge of the rental market from frontline staff.



These data points and staff experience support the recommendations for higher payment standards outlined below. Staff's recommended levels for 2017 represent increases of between 5% and 10% from the 2016 payment standard levels.

**Recommended 2017 Payment Standards**

	<b>Studios</b>	<b>1 BR</b>	<b>2 BR</b>	<b>3 BR</b>	<b>4 BR</b>
<b>Tier 1</b>	\$870	\$1,065	\$1,300	\$1,650	\$2,200
<b>Tier 2</b>	\$965	\$1,155	\$1,460	\$1,875	\$2,450
<b>Tier 3</b>	\$1,005	\$1,315	\$1,530	\$1,945	\$2,525
<b>Tier 4</b>	\$1,225	\$1,500	\$1,740	\$2,340	\$2,810
<b>Tier 5</b>	\$1,620	\$1,730	\$2,040	\$2,555	\$3,280

(Five and six bedroom payment standards are determined by applying a factor of 1.15 and 1.3 to the four bedroom payment standard, respectively.)

**Comparison Fair Market Rent & Payment Standards**

	<b>Studios</b>	<b>1 BR</b>	<b>2 BR</b>	<b>3 BR</b>	<b>4 BR</b>
<b>HUD Fair Market Rent</b>	\$1,093	\$1,249	\$1,544	\$2,240	\$2,654
<b>Seattle Housing Authority</b>	\$1,050	\$1,225	\$1,525	\$2,220	\$2,620

Relative to HUD's 2017 Fair Market Rent (FMR) for King County, the KCHA's proposed 2017 two bedroom payment standards range from 84% to 132% of the FMR: 84% in Tier 1, 95% in Tier 2, 99% in Tier 3, 113% in Tier 4, and 132% in Tier 5. Traditional housing authorities are limited to setting their payment standard(s) between 90% and 110% of the local FMR, however in 2007 KCHA used its Moving to Work (MTW) status to decouple the payment standards from the FMR entirely.

This change has historically allowed KCHA the flexibility to more closely match rental markets in the lower cost areas of King County as well as in the eastside exception area under the prior two-tiered payment standard system. This flexibility has been further utilized with the adoption of a five-tiered system. The Seattle Housing Authority, in 2002, also used its MTW authority to allow for payment standards that are higher than the 110% limit; however they are currently using a single standard that falls within the 90% to 110% range.

**Implementation:**

If approved by the Board, the 2017 payment standards will be available to new and moving households on January 1, 2017. Additionally, staff is planning to apply the new payment standards for households experiencing a shelter burden greater than 50% of income to rent in the first quarter of 2017. In accordance with the Section 8 Administrative Plan, KCHA also plans to apply an upward adjustment in the second quarter of 2017 to the incomes of households receiving a cost of living increase in their social security benefits.

At the time of the adjustment, these households will have their rent calculation altered to include the higher payment standard amount. The remaining households



will receive the new payment standards on a rolling basis at their next interim recertification, full recertification, or change of unit. Under this implementation plan, approximately 90% of KCHA's tenant-based vouchers are expected to receive the new payment standards during 2017.

**Financial Impact**

The estimated annual cost of the recommended payment standards is \$3.04 million, which represents the projected increase in housing assistance payments (HAP) for existing KCHA voucher holders at their current rent levels. Under the implementation plan outlined, \$1.97 million of this increase would be experienced in 2017. Approximately 11% of this cost is associated with vouchers outside of the MTW block grant. HUD funding levels for these units would be adjusted (subject to Congressional proration) in the following year. For comparison, the projected annualized cost of the 2016 payment standard increase was \$4.48 million at the time of implementation.

**Staff Recommendation**

Overall, KCHA has assumed a 5.8% increase in costs under the Housing Choice Voucher program in the CY 2017 budget, which encompasses continuing phase-in of the 2016 payment standards, the recommended changes for 2017, and expected growth in rent levels. The implementation plan and cost implications will be reviewed further during the December Board meeting. Board approval of Resolution No. 5557 authorizing higher payment standards is recommended.



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

**RESOLUTION No. 5557**

**AUTHORIZING HIGHER PAYMENT STANDARDS FOR THE  
HOUSING CHOICE VOUCHER PROGRAM**

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**WHEREAS**, the Housing Choice Voucher payment standards are the maximum subsidy levels used to calculate the housing assistance a household will receive under the Housing Choice Voucher program; and

**WHEREAS**, the Housing Authority's Board of Commissioners authorized implementation of a five-tiered payment standard system by passing Resolution No. 5531 in February 2016; and

**WHEREAS**, the Housing Authority has committed to reviewing the five-tiered payment standards on an annual basis; and

**WHEREAS**, it has been determined that an additional increase in the payment standards for all tiers is necessary to keep pace with regional rental market trends, maintain voucher holder lease-up rates, and limit shelter burden; and

**WHEREAS**, it has been determined that the payment standard increases will more closely align subsidy levels with submarket rents and continue to ensure efficient expenditure of taxpayer dollars; and,

**WHEREAS**, resources are available to support and maintain higher payment standards; and,



**WHEREAS**, increased payment standard amounts will Affirmatively Further Fair Housing objectives in the Seattle Metropolitan region; and,

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

The payment standards for the Housing Authority's Housing Choice Voucher program are hereby adjusted in accordance with the proposed recommendations, set forth at the December 19<sup>th</sup> Board of Commissioners meeting and attached hereto, to be effective January 1, 2017.

**ADOPTED AT A REGULAR MEETING OF THE BOARD OF THE COMMISSIONERS OF THE HOUSING AUTHORITY OF THE COUNTY OF KING THIS 19th DAY OF DECEMBER 2016.**

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

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**DOUGLAS J. BARNES**, Chair  
Board of Commissioners

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**STEPHEN NORMAN**  
Secretary



# T A B N U M B E R





**To:** Board of Commissioners

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

**Date:** December 12, 2016

**Re: Resolution No. 5558: Authorizing the Authority to loan up to \$12,000,000 in Moving To Work funds to finance energy efficiency improvements at Public Housing properties; and authorizing the execution of related documents**

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### **Executive Summary**

Resolution No. 5558 authorizes the King County Housing Authority to loan the Energy Performance Contract (EPC) project up to \$12 million in Moving To Work (MTW) working capital. These additional funds constitute approximately 55% of the estimated \$22.2 million EPC project cost, and represent the remaining financing needed after the Authority's issuance last September of \$10,464,529 in Qualified Energy Conservation Bonds (QECBs).

### **Background**

In December 2015, the Board authorized the Authority to enter into an EPC with Johnson Controls (JCI) and in September 2016, the Board approved the Authority's issuance of \$10,464,529 in 20-year QECBs. These bonds, issued on September 22, 2016, have a net interest rate to KCHA of around 1.5%. The Authority has re-loaned the bond proceeds into the project at a fixed interest rate. Based on JCI research, the average fixed interest rate for similar EPC loans obtained by other housing authorities in the last two years is 5.12%, so the Authority has set its internal loan rate at 5%.

### **Discussion**

To finance the remaining costs of the project, the Authority proposes to lend the EPC project up to \$12 million in additional working capital. Subject to approval by the Board, this loan will be executed by the end of 2016. All loaned proceeds will be restricted on the Authority's books to pay for installation and related costs of energy conservation measures. This second project loan will also have a 20 year maturity, a fixed 5% interest rate, and will be unsecured. Because the loan is repaid from annual utility savings, the amount of loan repayments will vary each year based on the available project savings generated each year.



Under the rules for HUD's energy performance program, housing authorities are allowed to keep up to 25% of project savings from an EPC for their agency operations; the remaining 75% of savings must be applied to EPC project costs, principally debt service, monitoring costs, replacement reserves and ongoing operating maintenance of the measures. Once installation of energy measures is complete, the Authority anticipates that the project will make all loan payments on the QECB and MTW loans, pay monitoring costs, reserve and maintenance expenses, and have enough savings left over to allow withdrawal each year of approximately 15 to 25% of savings for on-going agency operations.

This cash flow plan has been reviewed by both JCI and EPC staff and is considered realistic. JCI has told us that their modeling of project savings is based on conservative estimates and that the Authority should expect greater savings in future years as a result of increases in utility rates. If the Authority receives savings that exceed HUD's 25% maximum threshold, they will be used to pay for additional energy improvements or to pay down the MTW loan more quickly.

### **Risk & Mitigation:**

There is a risk that the available savings from the project are less than projected and that the MTW loan will not be fully repaid. The ability to repay the MTW loan is primarily a function of the utility savings generated by the project over a 20-year period. Project savings will vary based on a number of factors, including the proper installation and efficacy of the energy measures selected, increases in utility rates, changes in tenant behavior that affect energy consumption, reductions in public housing operating subsidy, and construction delays. Staff feels this risk is reasonable for the following reasons:

- 1) JCI is an experienced energy services provider and has conservatively estimated project savings; typically EPCs over perform relative to savings projections;
- 2) Contractors selected for the project are also experienced, and in the case of the most complex measure (DHPs) have satisfactorily performed on KCHA projects in the past;
- 3) In the event that actual savings are less than estimated, the result would be either a reduction in the amount of savings the Authority can keep for agency operations or, since loan payments are made to the Authority, it could defer or waive interest or principal payments from the project for one or more years; and
- 4) Under the terms of the EPC documents, JCI has guaranteed at least 75% of the projected savings number will be achieved, which limits the size of the potential risk.



**Additional Update:**

The Board meeting will include an update on the project status including estimated savings, cash flow and schedule.

**Staff Recommendation**

Staff recommends approval of Resolution No. 5558.



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

**RESOLUTION NO. 5558**

**A RESOLUTION OF THE HOUSING AUTHORITY OF THE COUNTY  
OF KING AUTHORIZING A LOAN OF UP TO \$12,000,000 IN MTW  
WORKING CAPITAL TO FINANCE ENERGY EFFICIENCY  
IMPROVEMENTS**

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**WHEREAS**, in December 2015 the Board of Commissioners of the Housing Authority of the County of King (the “Authority”) adopted Resolution 5529 authorizing the execution of an energy performance contract with Johnson Controls Inc. (“JCI”) to perform energy conservation measures at Authority developments for a not to exceed cost of \$25.44 million (the “Project”); and

**WHEREAS**, in August 2016 the Commissioners adopted Resolution 5545 approving the issuance by the Authority of \$10,464,529 of Qualified Energy Conservation Bonds (the “QECBs”) as permanent financing for a portion of the cost of the energy conservation measures; and

**WHEREAS**, total Project costs are currently estimated at approximately \$22.2 million which is within the anticipated EPC project scope attached to Resolution 5545; and

**WHEREAS**, the Authority will have the ability throughout the 20-year Project term to add new energy savings measures to the Project based on available savings and other opportunities; and

**WHEREAS**, the Board of Commissioners deems it necessary and advisable and in the best interests of the Authority to lend MTW working capital in a principal amount not to exceed \$12 million to provide the remaining



financing for the acquisition and installation of energy conservation measures on the Authority's Public Housing properties; and,

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

1. The Authority shall make a loan of MTW working capital to the Project in a principal amount not to exceed \$12 million to provide for financing for the acquisition and installation of energy conservation measures on the Authority's Public Housing properties. Such financing is declared and determined to be important for the feasibility of the Project.

2. The Board authorizes the Executive Director and any Deputy Executive Director (collectively, the "Authorized Officers"), and each of them acting alone, to finalize and approve the note and such other documents, instruments and agreements as may be necessary or desirable in connection therewith, all on such terms and conditions as are deemed by any one of them to be in the best interests of the Authority.

3. The Authorized Officers, and each of them, is authorized to take such additional steps and to execute and deliver such approvals and any and all related affidavits, agreements and documents related thereto as any one of them determines to be necessary or advisable to give effect to this Resolution.

4. 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.



5. 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 THIS 19TH DAY  
OF DECEMBER, 2016.**

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

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**DOUGLAS J. BARNES, Chair**

Attest:

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**STEPHEN J. NORMAN, Secretary**



# T A B N U M B E R

5





**TO:** Board of Commissioners

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

**DATE:** December 13, 2016

**RE:** **Resolution No. 5559: 2017 Operating and Capital Budgets**

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**Executive Summary**

Attached for your review are the 2017 Comprehensive Operating and Capital Budgets (Exhibits A and B, respectively). In an environment of uncertain federal support for housing programs, the budget seeks to balance potential funding reductions against a growing regional need for housing and related assistance and the ongoing maintenance requirements of KCHA's housing stock. The Budget makes significant investments in maintaining affordability and housing quality for current program participants while expanding housing opportunities across all of its programs. The most significant of these efforts is a 447 household increase in the number of families served in our federally subsidized programs.

Below is a snapshot, in thousands of dollars, of the components of net income in the proposed 2017 budget vs. the 2016 budget:

	2017 Adopted Budget	2016 Adopted Budget	Dollar Change	Percent Change
<b><i>Revenues</i></b>				
Tenant Revenue	\$81,390.7	\$74,681.9	\$6,708.9	9.0%
Operating Fund Subsidy from HUD	9,272.9	7,363.2	1,909.7	25.9%
Section 8 Subsidy from HUD	128,128.4	114,691.6	13,436.8	11.7%
Other Operating Revenue	59,335.0	62,009.7	(2,674.7)	-4.3%
Non-operating Revenue	17,552.3	14,796.9	2,755.4	18.6%
<b>Total Revenues</b>	<b>295,679.3</b>	<b>273,543.3</b>	<b>22,136.0</b>	<b>8.1%</b>
<b><i>Expenses</i></b>				
Salaries & Benefits	34,025.5	30,926.1	3,099.3	10.0%
Routine Maintenance, Utilities, Taxes & Insurance	29,525.3	26,600.2	2,925.1	11.0%
Direct Social Service Salaries & Benefits	2,469.3	2,304.3	165.0	7.2%
Other Social Service Support Expenses & HAP	151,242.9	138,192.4	13,050.5	9.4%
Administrative Support Expenses	19,187.2	18,459.6	727.6	3.9%
Non-operating Expenses	19,986.6	18,931.8	1,054.8	5.6%
<b>Total Expenses</b>	<b>256,436.7</b>	<b>235,414.5</b>	<b>21,022.3</b>	<b>8.9%</b>
<b>Net Income</b>	<b>39,242.6</b>	<b>38,128.9</b>	<b>1,113.7</b>	<b>2.9%</b>



This budget assumes that KCHA will not receive a 2017 Renewal Funding Inflation Factor (RFIF) adjustment for the MTW Housing Choice Voucher (HCV) program. This assumption is based on HUD's published 2-bedroom 2017 Fair Market Rent for King County, the primary RFIF determinant. HUD reports a year-over-year increase in rents of only 1.4%, typically not sufficient to trigger a funding adjustment. The lack of an inflation factor, coupled with a funding prorate that is expected to dip from 99.582% in 2016 to 97% in 2017, will result in a projected \$2.8 million decline in HCV block grant funding next year (budget to budget, however, shows a significant increase as the original 2016 adopted budget included no RFIF). This funding reduction, combined with the increase in payment standards necessary to maintain affordability for existing Housing Choice Voucher program participants and the expanded number of families being served in the program in 2017, fully utilize the \$12.5 million funding increase that resulted from the 12% RFIF funding adjustment received in 2016. KCHA will be conducting its own rent survey in 2017 year to argue for a 2018 RFIF that more accurately reflects the region's rent increases.

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

- Preserve and expand the supply of affordable housing
- Help the region end homelessness
- Promote economic self-sufficiency for residents
- Strengthening the internal infrastructure of KCHA

To support KCHA's core mission, the 2017 budget includes:

- \$7.3 million toward the impact of the two payment standards adopted by the Board in 2016, the goal of housing an additional 174 families in the HCV program beyond HUD's baseline funding and an increase of nearly 200 homeless veterans estimated to be housed by the end of 2017.
- \$20 million for housing acquisition. This initiative assumes 100% debt-financing.
- \$44.8 million for the preservation of the existing housing stock, funded through a combination of Capital Fund Program (CFP) grants, operating cash flow, reserves and borrowing proceeds.
- A funding commitment of \$2.9 million dedicated to a variety of homeless programs such as supportive housing, flexible rental assistance, step-rental programs for young adults and housing for domestic violence victims.
- \$7.0 million for a wide array of resident service programs focused on educational outcomes for youth, housing and student classroom stability, household mobility and self-sufficiency, and youth and senior services.



## **OPERATING BUDGET**

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

- MTW-Funded Properties and Programs
- Agency Overhead Aggregated in the Central Office Cost Center
- Non-MTW-Funded Properties and Programs

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

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

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

- 1) It allows the funding for the bulk of the vouchers in the Housing Choice Voucher (HCV) program (also known as the Section 8 program) to be received as a block grant
- 2) Since funding is received as a block grant, savings realized in Housing Assistance Payment (HAP) or Section 8 administrative costs can be retained, and in combination with revenues from the Public Housing program (Operating Fund Subsidy and Capital Fund grants), can be used for any purpose allowed under the MTW program
- 3) Full funding for all vouchers that are part of the block grant is automatically renewed each year, enabling KCHA to continue to receive the benefit of savings realized through efficiencies in program operations. This is in contrast to non-block-grant programs where renewal funding is limited to the actual cost of vouchers leased in the prior year.

Funding for the range of programs and departments that utilize the MTW block grant will be sufficient in 2017 based on current assumptions. With the new Administration, adequacy of funding in 2018 and beyond remains a question mark. Since 2012 HUD has allocated inflation adjustments based on national, not local, conditions. No inflation factor increase is anticipated in 2017 and staff's strategy is to position KCHA for a RFIF in CY 2018 through a market survey similar to the one conducted in 2014. The Authority is prepared to dial back its overleasing initiative if necessary as the funding picture becomes clearer.



The following table summarizes how MTW block grant resources received from HUD in 2017 will be used:

Block Grant Eligibility	116,965,979
Estimated Loss due to prorate (97.0%)	(3,508,980)
Budgeted Block Grant Revenue	113,456,999
HAP payments to landlords	(91,433,593)
HCV program administrative costs	(8,310,721)
Block Grant Available for Other Uses	13,712,685
<b><i>Other Available Run-rate Sources:</i></b>	
Interest Income	293,543
Resident Service Revenue from Op Sub	403,043
Other Resident Service Revenue	10,890
Total Operating Sources	14,420,161
<b><i>Run-rate Uses:</i></b>	
Resident Services programs	(5,685,356)
Homeless Initiatives	(2,791,739)
Research and Evaluation	(770,335)
Other Administrative Costs	(57,210)
Additional Support for PH Operations	(3,049,215)
Additional Support for PH Special Projects	(750,000)
Support of other programs	(196,572)
Total Operating Uses	(13,300,427)
Available for Other Eligible Purposes	\$1,119,734

The table below summarizes 2017 activity for the entire MTW program, including the use of existing reserves:

Working Capital Carried Over from 2016	\$2,863,700
2017 Block Grant Available for Non-Operating Uses	1,119,734
Non-Operating Sources of Funds	4,915,880
Non-Operating Uses of Funds	(7,208,629)
Total Projected Working Capital, End of 2017	\$1,690,685



Properties and Programs that fall under the MTW umbrella include:

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

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

85% of the vouchers administered under of the Housing Choice Voucher Program are “Block Granted” and are part of the MTW program. The Block Grant HCV program includes 8,149 vouchers with funding received from HUD in a monthly “block” of cash. Assuming no inflation adjustment is awarded in 2017, KCHA will be eligible to receive \$116.97 million in funding. Both HUD and affordable housing industry groups are forecasting a higher nationwide use of HCV funds for Housing Assistance Payments (HAP) and since a commensurate increase in federal funding is not anticipated, it is estimated that nationwide, housing authorities will be funded for only 97% of their collective eligibility. For KCHA, this results in a projected funding loss of \$3.5 million.

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

- KCHA supports more households than the baseline number of households for which it is funded. This “over-leasing” has been projected to ramp up to 300 vouchers by the end of 2017, meaning that KCHA will lease 103.7% of the HUD-funded voucher baseline by year end. When all locally-designed programs are factored in, KCHA anticipates housing 561 households above the number called for in the HUD baseline.
- KCHA has the flexibility to set different maximum values for vouchers, depending upon the number of bedrooms in the rental unit and its geographic location. These voucher values are known as Payment Standards. MTW allows KCHA to provide payment standards in high opportunity neighborhoods significantly above the regional Fair Market Rents. This expands geographic choice for program participants and supports KCHA’s goal of increasing the number of households living in these neighborhoods. The Board adopted a new five-tier payment standard in February of this year with a resulting increase in the annualized costs of the program of approximately \$4.48 million when fully implemented. Since then, the Puget Sound region has continued to see a sharp rise in rental rates, making it very challenging for voucher holders to find units or even to remain in current units. Staff is bringing a proposal to further increase the Payment Standards to the upcoming Board meeting. As part of this budget proposal, 2017 HAP cost projections have been increased by \$4.2 million to cover the costs of both the 2016 and the 2017 payment standard adjustments. Combined, the two payment standard



adjustments will result in total annualized HAP increases of approximately \$7.5 million after all qualified participants move to the new payments standards.

To administer the HCV program, HUD pays a fee for every voucher leased based on pre-determined published rates. For non-block grant vouchers, these fees are received monthly after leasing information is reported to HUD. For MTW vouchers, fees are embedded as part of KCHA's monthly block grant payment from HUD, and the revenue is recorded in the MTW fund. The Section 8 fund internally bills the MTW fund each month for MTW vouchers leased. The billing rate of this internal charge is determined by KCHA during the budget process and, as an operating metric, the value is compared to the non-block grant fee rate. For 2017, it is estimated that HUD's published fee will be approximately \$86.16 per unit per month (PUM) while KCHA's internal rate is being set at \$82.55, meaning that KCHA is operating its Section 8 program within the cost parameters assumed by HUD.

### **Public Housing**

For 2017, it is projected that KCHA's **Public Housing** program is eligible, based on HUD's funding formula, to receive \$10.4 million of Operating Fund Subsidy. However, due to chronic congressional underfunding, it is estimated that only 86% of eligible funding, or \$8.9 million, will actually be received. Of this amount, \$403,000 is dedicated toward the cost of resident service programs, and \$1.9 million is being transferred to the Energy Performance Contract project pursuant to the HUD requirement that a minimum of 75% of annual energy savings must be spent (mostly through amortization of the measures installed) on energy-saving initiatives. The remaining \$6.6 million will be used to partially offset the gap between the operating costs of the properties and the rents received from tenants, but a deficit of \$3.0 million will remain. A transfer of \$3.9 million from the Section 8 Block Grant revenue stream will backfill this shortfall and provide \$0.9 million in additional funds for extraordinary maintenance projects to be performed by members of KCHA's Central Maintenance crew.

### **Resident Services**

The Resident Services department has budget authority for 34.8 full-time equivalent (FTE) employees in 2017. It has an overall department budget of \$7.0 million, of which 80.2% is funded from the MTW block grant, 5.7% from Public Housing Operating Fund subsidy, 8.2% from the Gates Foundation (limited-term funding) and the remainder from various grants and partner agencies. There will be a continued focus on education and housing stability in 2017.



Key program groups being funded include:

- \$2.2 million for after school/educational initiatives
- \$1.0 million for self-sufficiency and mobility programs
- \$2.3 million for elderly and family services
- \$1.5 million for other purposes, including relocation, reasonable accommodations and Section 8 resident outreach

### **Homeless Initiatives**

KCHA's Public Housing and Section 8 programs continue their focus on ending regional homelessness. In 2015, (the most recent year for which data is available) 50% of new housings went to formerly homeless households. The Homeless Housing Initiatives (HHI) department develops innovative programs serving those who, for a variety of reasons, cannot use traditional federal programs. HHI's 2017 budget of \$2.8 million includes a wide array of rental assistance programs. Highlights of the 2017 work plan include:

- Leading efforts to execute 14 new contracts to "project-base" rental subsidies for 307 additional homeless or very low income households. 100 of these units will serve homeless Veterans through KCHA's VASH voucher program.
- Managing ongoing administration of rent subsidies for 261 households housed through KCHA's locally designed rent subsidy programs operated in partnership with non-profit providers under contract with KCHA. These are homeless programs that operate outside of the Section 8 and Public Housing programs. Of the 261 rent subsidies, 80 will serve homeless students and their families through KCHA's Student and Family Stability Initiative with Highline Public Schools.
- Evaluating and modifying existing programs to more effectively and efficiently serve targeted populations. Working in partnership with KCHA's Data, Policy & Research team and third party evaluators, HHI will assess the effectiveness of KCHA's short term rental assistance pilot (the Student and Family Stability Initiative) and analyze KCHA multiple program and rent subsidy designs for housing homeless young adults. Programs where the evidence supports expansion will begin to be positioned for potential scaling-up in 2018.

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

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



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

Total overhead expenses of the COCC	\$13,973,232
Costs recovered through:	
Fees charged to properties	3,734,793
Fees charged to Section 8 program	2,642,621
Fees charged to construction projects	498,534
Fees and cash transferred from Workforce Housing	4,722,959
Repayments of COCC-sourced lending	203,200
Net cash from Spiritwood/Corinthian projects	1,500,000
Other sources	350,000
	<u>13,652,107</u>
COCC operating shortfall	<u><u>(\$321,125)</u></u>

77% of COCC costs are attributable to personnel, making it a challenge to reduce costs. The complexity of the organization generally requires the staff size the Authority maintains. KCHA will need to continue to identify operational efficiencies or additional sources of revenue in future years to support operations at this level.

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

In its **Workforce Housing** portfolio, which includes properties under the ownership of tax credit investors but excludes 462 units in the mobile home and Nike portfolio, KCHA currently has 36 separate properties with 4,845 apartments. These properties are managed by outside fee-based property management companies. All properties have some form of debt outstanding, and the servicing of this debt comes from the cash flow of each of the properties. In addition, each property makes monthly contributions to replacement reserve accounts and annually self-funds capital repair and rehabilitation projects. The net cash flow for these properties also supports general KCHA overhead via the payment of fees and transfers to the COCC, projected to be \$4.7 million in 2017.

The **Weatherization program** provides energy conservation improvements to low income residents of King County living in single family residences, mobile homes, and multifamily housing. The 2017 budget includes construction activity of \$4.1 million to weatherize 530 housing units and is funded through five separate federal, state and local grants.



## CAPITAL BUDGET

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

Category	Budgeted Amount	Managed by	Funding Sources
Rehabilitation of existing properties	\$11,707,626	Capital Construction Department	Existing MTW reserves, CFP grant, COCC, MKCRF reserves and cash flow
	\$18,216,069	Housing Management Department	MTW, Operating Fund subsidy, site cash flow, QECB bond proceeds
	\$5,547,435 <sup>(1)</sup>	Development Department	COCC, assumption of debt
	\$14,749,902	Asset Management Department	Replacement reserves and site cash flow
Acquisition of new properties	\$20,000,000	Development Department	New debt
Work at Greenbridge site	\$2,293,633	Development Department	Internal loans, HOPE VI program income
Other	\$183,660	Various	Various
<b>Total</b>	<b>\$72,698,325</b>		

1) Includes \$3,916,133 for the acquisition of Southwood Square from the tax credit limited partnership

Highlights of the capital budget include:

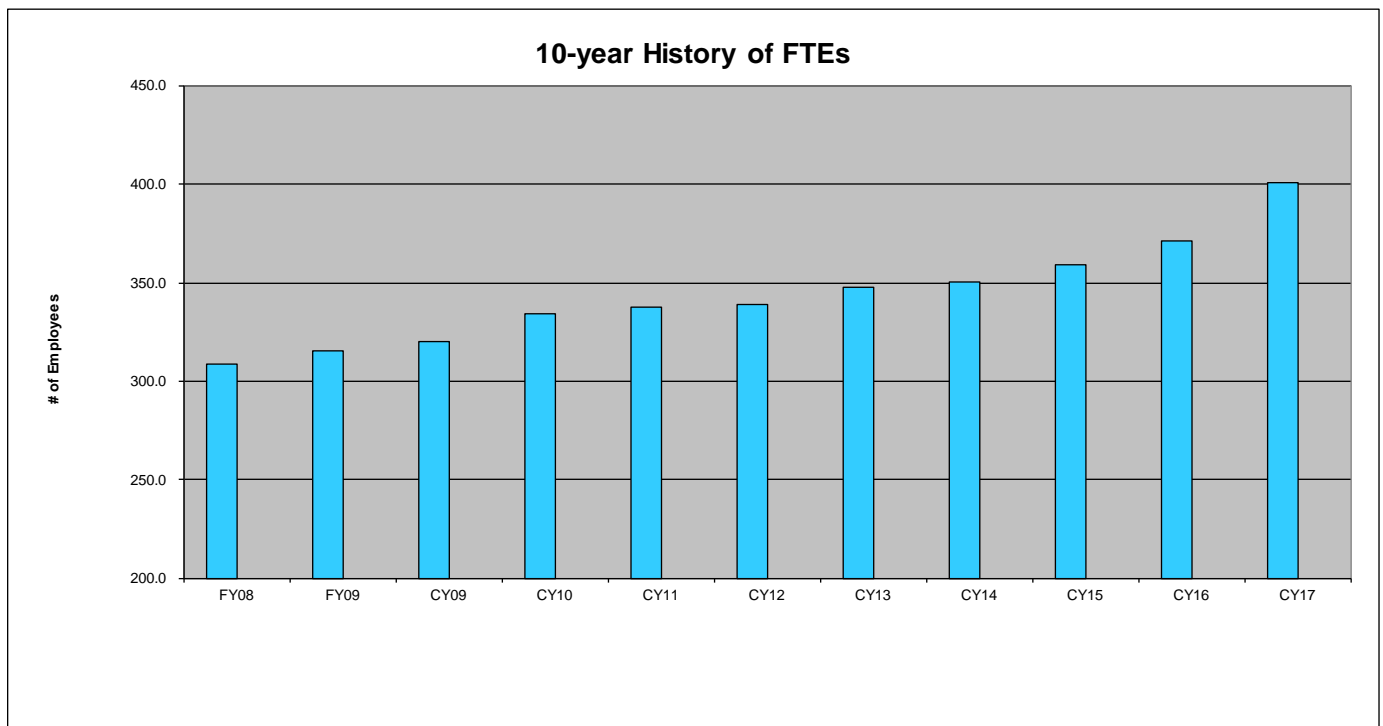
- \$14.5 million to be spent on the current Public Housing stock through a variety of projects managed by both the Capital Construction and Housing Management departments. Included in this number are some unit upgrades and extraordinary maintenance projects listed below.
- \$10.4 million on the Public Housing stock for energy upgrades that are part of the Energy Performance Contract
- \$3.9 million for 150 unit upgrades to be completed at various portfolios including Public Housing (\$2.7 million), MKCRF (\$289,000), Egis (\$505,000), and various others
- A total of \$18.7 million of extraordinary maintenance projects to be completed on KCHA properties, including Asset-managed properties (\$14.9 million) Public Housing (\$713,000), Egis (\$1.8 million) and MKCRF (\$443,000)
- \$20 million for the acquisition of new properties



## THE INVESTMENT IN KCHA'S EMPLOYEE INFRASTRUCTURE

### *Employee Count*

The budget includes 401 full-time equivalent (FTE) positions, an increase of 22 over 2016. 14 of these additions have already been approved and 8 new positions are being proposed. 7 positions support the significant increase in the number of households being served through the Section 8 program due to increased over leasing, additional VASH awards and the addition of roughly 100 additional port-ins to the work load annually. A number of temporary positions are being funded through special projects such as the three year Gates mobility grant, additional weatherization funding and the EPC project. Three additional maintenance mechanics are being added to the public housing portfolio to provide a “floater” in each region, and an additional construction coordinator is being added to the Asset Management Dept. in recognition that this inventory (and the capital workload) has grown significantly over the past two years.



### *Personal Service Costs*

A Board-approved Cost of Living Adjustment (COLA) wage increase of 2.3% was awarded to non-represented employees in November 2016. Negotiations with unionized employees continue. An estimated COLA of 2.5% was factored into the budget for November, 2017.



The Public Employees Retirement System (PERS) contribution rate will reach 12.52% on July 1, 2017 up from 11%. The average health insurance cost per employee is rising from \$12,670 to \$14,143, an 11.6% increase. As costs were essentially flat from 2015 to 2016, the two year rise is 5.8% per annum.

## **CASH BALANCES**

Below is the 2017 cash budget:

	Projected Cash 12/31/2016	Budgeted 2017 Activity	Projected Cash 12/31/2017
Unrestricted	\$ 62,311,703	\$ (7,253,333)	\$ 55,058,370
Designated & Program Restrict	72,717,001	(8,433,272)	64,283,729
Restricted	35,377,877	(9,023,078)	26,354,799
Set-aside to pay short-term debt	3,366,658	-	3,366,658
	<u>\$ 173,773,238</u>	<u>\$ (24,709,683)</u>	<u>\$ 149,063,555</u>

Significant 2017 changes in cash include:

- Use of the \$11.9 million Spiritwood lease payment received late in 2016 to reduce debt in 2017
- Use of 11 million of debt proceeds for Energy Performance Contract upgrades
- Use of \$1.8 million debt service reserve to make a portion of the Birch Creek debt service payment

In addition to the cash balances listed above, it is projected that as of 12/31/2016, HUD will be holding approximately \$1.5 million in cash appropriated to KCHA but not yet disbursed. It is anticipated that this cash will be received in 2017.

KCHA is also awarded annual Capital Fund Program grants. These grants are on a reimbursement-only basis and thus are not shown as an asset of KCHA. However, it is forecast that as of the end of 2017, \$8.7 million of untapped grant awards will be available for capital purposes.

### **Staff Recommendation**

Approval of Resolution No. 5559 is recommended.



KING COUNTY HOUSING AUTHORITY  
2017 Working Capital Budget  
(In \$1,000's; excludes non-KCHA-managed component units)

EXHIBIT A

	FEDERALLY-SUPPORTED PROGRAMS (managed by KCHA)						LOCAL PROGRAMS											
	Public Housing		Other Housing		Other Programs		KCHA	Outside	Tax Credit	Develop	Other	COCC	KCHA	2016 Adopted	Dollar Change	Percent Change		
	KCHA Owned	Outside Owned	KCHA Owned	Outside Owned	Section 8 Program	MTW Program	Owned Housing	Owned Housing	Gen Prtnr Activity									
<b>Revenues</b>																		
Tenant Revenue	\$5,446.4	\$1,997.8	\$3,824.3	\$14,941.6	\$90.0	\$0	\$54,408.5	\$682.0	\$0	\$0	\$0	\$0	\$81,390.7	\$74,681.9	\$6,708.9	9.0%		
Operating Fund Subsidy from HUD	4,630.7	2,246.9	.0	.0	.0	403.0	.0	.0	.0	.0	1,992.3	.0	9,272.9	7,363.2	1,909.7	25.9%		
Section 8 Subsidy from HUD	.0	.0	413.8	.0	114,001.9	13,712.7	.0	.0	.0	.0	.0	.0	128,128.4	114,691.6	13,436.8	11.7%		
Other Operating Revenue	11.9	3,488.3	358.4	2,978.2	33,359.1	27.9	588.1	149.8	35.8	(74.4)	6,338.4	12,073.5	59,335.0	62,009.7	(2,674.7)	-4.3%		
Non-operating Revenue	6,358.4	4,144.7	25.7	1,239.0	13.0	811.0	146.8	549.6	2,268.3	14.2	84.0	1,897.4	17,552.3	14,796.9	2,755.4	18.6%		
Total Revenues	16,447.6	11,877.7	4,622.2	19,158.9	147,464.1	14,954.6	55,143.4	1,381.3	2,304.2	(60.2)	8,414.6	13,970.9	295,679.3	273,543.3	22,136.0	8.1%		
<b>Expenses</b>																		
Salaries & Benefits	2,750.6	1,119.5	505.4	1,688.3	7,073.9	2,053.2	4,847.0	162.8	146.6	445.8	1,423.5	11,809.0	34,025.5	30,926.1	3,099.3	10.0%		
Routine Maintenance, Utilities, Taxes & Insurance	5,479.0	2,692.4	1,255.7	3,775.8	256.3	.0	13,625.9	293.5	8.5	200.0	11.8	1,926.5	29,525.3	26,600.2	2,925.1	11.0%		
Direct Social Service Salaries & Benefits	.0	.0	.0	.0	127.8	2,281.5	.0	.0	.0	.0	60.1	.0	2,469.3	2,304.3	165.0	7.2%		
Other Social Service Support Expenses & HAP	108.3	5,485.4	12.0	25.3	135,905.9	4,549.6	335.4	.0	.0	.0	4,821.1	.0	151,242.9	138,192.4	13,050.5	9.4%		
Administrative Support Expenses	2,746.9	937.2	298.9	1,335.7	3,842.4	701.7	4,937.5	109.8	367.0	314.0	133.6	3,462.5	19,187.2	18,459.6	727.6	3.9%		
Non-operating Expenses	6.1	2,666.7	343.7	7,754.5	.0	.0	6,300.1	361.6	718.0	50.0	1,033.7	752.2	19,986.6	18,931.8	1,054.8	5.6%		
Total Expenses	11,090.8	12,901.2	2,415.7	14,579.5	147,206.1	9,585.9	30,045.9	927.7	1,240.1	1,009.8	7,483.7	17,950.1	256,436.7	235,414.5	21,022.3	8.9%		
Net Income	5,356.7	(1,023.5)	2,206.4	4,579.4	257.9	5,368.7	25,097.6	453.6	1,064.0	(1,070.0)	930.9	(3,979.2)	39,242.6	38,128.9	1,113.7	2.9%		
<b>Other Sources/(Uses) of Working Capital</b>																		
(Increase) in Restricted/Designated Cash	(66.9)	(209.7)	(42.7)	(291.1)	.0	.0	(2,047.3)	(27.8)	(200.0)	(453.0)	.0	(18.0)	(3,356.5)	(4,185.5)	829.1	-19.8%		
Decrease in Restricted/Designated Cash	.0	1,000.0	.0	2,988.0	.0	2,672.5	1,565.0	50.0	500.0	71.0	10,476.1	25.0	19,347.6	9,119.6	10,228.0	112.2%		
(Increase) in LT Receivables	.0	(2,975.2)	.0	(265.8)	.0	.0	.0	(179.4)	(14,002.7)	.0	.0	(2,496.0)	(19,919.1)	(12,006.5)	(7,912.6)	65.9%		
Decrease in LT Receivables	.0	850.9	.0	1,751.3	.0	1,725.9	.0	115.4	31,948.0	.0	.0	3,699.1	40,090.6	4,793.5	35,297.2	736.4%		
Acquisition of Capital Assets	(11,583.7)	(2,944.8)	(2,524.8)	(3,695.8)	(16.3)	(252.1)	(18,957.0)	(124.0)	.0	(21,952.0)	(10,476.3)	(171.5)	(72,698.3)	(75,693.0)	2,994.7	-4.0%		
Disposition of Capital Assets	.0	.0	.0	.0	.0	.0	.0	.0	.0	4,017.4	.0	.0	4,017.4	2,020.0	1,997.4	98.9%		
Change in Suspense	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	n/a		
Change in Other Assets	.0	.0	.0	.0	.0	.0	.0	.0	(1,082.1)	.0	.0	.0	(1,082.1)	(2,000.0)	917.9	-45.9%		
Change in Deferrals	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	n/a		
Increase in LT Debt	.0	1,500.0	.0	11,461.8	.0	.0	4,473.2	.0	(4,966.0)	20,000.0	.0	.0	32,469.1	35,826.6	(3,357.5)	-9.4%		
(Decrease) in LT Debt	.0	(221.1)	(282.8)	(28,324.9)	.0	.0	(7,807.5)	(200.0)	(29,570.8)	.0	.0	(900.0)	(67,307.1)	(19,649.1)	(47,658.0)	242.5%		
Change in Other Liabilities	(37.0)	1,586.5	(87.0)	265.8	.0	.0	8.4	85.2	11.7	(1,690.9)	(423.6)	.0	(280.9)	1,434.0	(1,714.8)	-119.6%		
Other Non-Working Capital Inc/Exp	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	n/a		
Non Income/Expense Change in Equity	.0	.0	.0	16,403.1	.0	.0	.0	.0	(20.7)	.0	.0	.0	16,382.4	15,279.1	1,103.2	7.2%		
Total Other Sources/(Uses) of Working Capital	(11,687.6)	(1,413.4)	(2,937.3)	292.4	(16.3)	4,146.3	(22,765.2)	(280.6)	(17,382.6)	(7.4)	(423.8)	138.6	(52,336.8)	(45,061.4)	(7,275.4)	16.1%		
<b>Transfer In from (Out to) Other Funds</b>																		
Transfers In from Other Funds	6,330.9	4,702.2	1,952.3	1,716.2	.0	.0	197.9	.0	2,948.9	325.0	1,331.3	12,133.7	31,638.4	26,479.5	5,158.9	19.5%		
Transfers Out to Other Funds	.0	(325.0)	.0	(1,716.2)	.0	(10,688.0)	(3,031.7)	(91.3)	(9,010.7)	.0	(1,331.3)	(5,444.2)	(31,638.4)	(26,479.5)	(5,158.9)	19.5%		
Net Transfer In/(Out)	6,330.9	4,377.2	1,952.3	.0	.0	(10,688.0)	(2,833.8)	(91.3)	(6,061.9)	325.0	.0	6,689.5	.0	.0	.0	n/a		
Net Change in Working Capital	.0	1,940.3	1,221.5	4,871.8	241.7	(1,173.0)	(501.3)	81.7	(22,380.4)	(752.4)	507.1	2,848.9	(13,094.3)	(6,932.5)	(6,161.7)	88.9%		
Projected Working Capital, Beginning of Year	4,770.2	(281.8)	4,935.4	(2,387.2)	243.4	2,863.7	9,466.5	1,016.7	23,103.4	1,937.4	901.6	29,707.3	76,276.7	38,501.8	37,774.8	98.1%		
Projected Working Capital, End of Year	\$4,770.2	\$1,658.6	\$6,156.9	\$2,484.5	\$485.1	\$1,690.7	\$8,965.1	\$1,098.5	\$723.0	\$1,185.0	\$1,408.7	\$32,556.2	\$63,182.4	\$31,569.3	\$31,613.1	100%		



King County Housing Authority  
Capital Budget  
By Responsible Department  
2017 Budget

EXHIBIT B

**CONSTRUCTION ACTIVITIES**

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

Public Housing Properties	\$8,249,359	
MKCRF Properties	1,426,916	
Other Properties	<u>2,031,351</u>	
		\$11,707,626

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

Unit Upgrade Program	3,916,279	
Energy Performance Contract Upgrades	10,951,781	
Other Projects	<u>3,348,009</u>	
		18,216,069

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

Projects at Workforce Housing Properties	14,093,252	
Projects at Mobile Home Properties and Nike	<u>656,650</u>	
		14,749,902

**DEVELOPMENT/ACQUISITION ACTIVITIES**

***Managed by the Development Department***

New Acquisitions	20,000,000	
Hope VI Properties	2,293,633	
Acquisitions from Tax Credit Partnership	3,916,133	
Other Projects	<u>1,631,302</u>	
		27,841,068

**OTHER ACTIVITIES**

Vehicles	168,000	
Other	<u>15,660</u>	
		183,660
		<u><u>\$72,698,325</u></u>



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

**RESOLUTION NO. 5559**

**AUTHORIZING APPROVAL OF THE COMPREHENSIVE OPERATING  
BUDGET FOR CALENDAR YEAR BEGINNING JANUARY 1, 2017**

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**WHEREAS**, the Executive Director has submitted a Comprehensive Operating Budget for the Calendar Year beginning January 1, 2017 (Calendar Year 2017); and

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

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

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

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

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

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



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

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

**SECTION 1:** The following expenditures are hereby authorized for the Calendar Year beginning January 1, 2017:

Fund Groups	Total Expenditures	Other Uses of Working Capital	Total
Public Housing, KCHA-owned	\$11,090,824	\$11,687,584	\$22,778,408
Public Housing, other ownership	12,901,228	6,350,838	19,252,066
Other Federal housing, KCHA-owned	2,415,746	2,937,289	5,353,035
Other Federal housing, other ownership	14,579,512	32,577,657	47,157,169
Section 8 program	147,206,144	16,270	147,222,414
MTW program	9,585,936	252,095	9,838,031
Local housing, KCHA-owned	30,045,851	28,811,798	58,857,649
Local housing, other ownership	927,719	531,242	1,458,961
Tax credit properties	1,240,147	44,855,533	46,095,680
Development program	1,009,761	24,095,898	25,105,659
Other funds	7,483,739	10,899,910	18,383,649
Central Services	17,950,135	3,585,483	21,535,618
Total 2016 Expenditures	<u>\$256,436,742</u>	<u>\$166,601,597</u>	<u>\$423,038,339</u>

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



**ADOPTED AT A REGULAR MEETING OF THE BOARD OF  
COMMISSIONERS OF THE HOUSING AUTHORITY OF THE COUNTY OF  
KING THE 19<sup>TH</sup> DAY OF DECEMBER, 2016.**

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

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**Doug Barnes, Chair**  
Board of Commissioners

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**Stephen J. Norman**  
Secretary



KING COUNTY HOUSING AUTHORITY  
2017 Working Capital Budget  
(In \$1,000's; excludes non-KCHA-managed component units)

EXHIBIT A

	FEDERALLY-SUPPORTED PROGRAMS (managed by KCHA)						LOCAL PROGRAMS											
	Public Housing		Other Housing		Other Programs		KCHA	Outside	Tax Credit	Develop	Other	COCC	KCHA	2016 Adopted	Dollar Change	Percent Change		
	KCHA Owned	Outside Owned	KCHA Owned	Outside Owned	Section 8 Program	MTW Program	Owned Housing	Owned Housing	Gen Prtnr Activity									
Revenues																		
Tenant Revenue	\$5,446.4	\$1,997.8	\$3,824.3	\$14,941.6	\$90.0	\$0	\$54,408.5	\$682.0	\$0	\$0	\$0	\$0	\$81,390.7	\$74,681.9	\$6,708.9	9.0%		
Operating Fund Subsidy from HUD	4,630.7	2,246.9	.0	.0	.0	403.0	.0	.0	.0	.0	1,992.3	.0	9,272.9	7,363.2	1,909.7	25.9%		
Section 8 Subsidy from HUD	.0	.0	413.8	.0	114,001.9	13,712.7	.0	.0	.0	.0	.0	.0	128,128.4	114,691.6	13,436.8	11.7%		
Other Operating Revenue	11.9	3,488.3	358.4	2,978.2	33,359.1	27.9	588.1	149.8	35.8	(74.4)	6,338.4	12,073.5	59,335.0	62,009.7	(2,674.7)	-4.3%		
Non-operating Revenue	6,358.4	4,144.7	25.7	1,239.0	13.0	811.0	146.8	549.6	2,268.3	14.2	84.0	1,897.4	17,552.3	14,796.9	2,755.4	18.6%		
Total Revenues	16,447.6	11,877.7	4,622.2	19,158.9	147,464.1	14,954.6	55,143.4	1,381.3	2,304.2	(60.2)	8,414.6	13,970.9	295,679.3	273,543.3	22,136.0	8.1%		
Expenses																		
Salaries & Benefits	2,750.6	1,119.5	505.4	1,688.3	7,073.9	2,053.2	4,847.0	162.8	146.6	445.8	1,423.5	11,809.0	34,025.5	30,926.1	3,099.3	10.0%		
Routine Maintenance, Utilities, Taxes & Insurance	5,479.0	2,692.4	1,255.7	3,775.8	256.3	.0	13,625.9	293.5	8.5	200.0	11.8	1,926.5	29,525.3	26,600.2	2,925.1	11.0%		
Direct Social Service Salaries & Benefits	.0	.0	.0	.0	127.8	2,281.5	.0	.0	.0	.0	60.1	.0	2,469.3	2,304.3	165.0	7.2%		
Other Social Service Support Expenses & HAP	108.3	5,485.4	12.0	25.3	135,905.9	4,549.6	335.4	.0	.0	.0	4,821.1	.0	151,242.9	138,192.4	13,050.5	9.4%		
Administrative Support Expenses	2,746.9	937.2	298.9	1,335.7	3,842.4	701.7	4,937.5	109.8	367.0	314.0	133.6	3,462.5	19,187.2	18,459.6	727.6	3.9%		
Non-operating Expenses	6.1	2,666.7	343.7	7,754.5	.0	.0	6,300.1	361.6	718.0	50.0	1,033.7	752.2	19,986.6	18,931.8	1,054.8	5.6%		
Total Expenses	11,090.8	12,901.2	2,415.7	14,579.5	147,206.1	9,585.9	30,045.9	927.7	1,240.1	1,009.8	7,483.7	17,950.1	256,436.7	235,414.5	21,022.3	8.9%		
Net Income	5,356.7	(1,023.5)	2,206.4	4,579.4	257.9	5,368.7	25,097.6	453.6	1,064.0	(1,070.0)	930.9	(3,979.2)	39,242.6	38,128.9	1,113.7	2.9%		
Other Sources/(Uses) of Working Capital																		
(Increase) in Restricted/Designated Cash	(66.9)	(209.7)	(42.7)	(291.1)	.0	.0	(2,047.3)	(27.8)	(200.0)	(453.0)	.0	(18.0)	(3,356.5)	(4,185.5)	829.1	-19.8%		
Decrease in Restricted/Designated Cash	.0	1,000.0	.0	2,988.0	.0	2,672.5	1,565.0	50.0	500.0	71.0	10,476.1	25.0	19,347.6	9,119.6	10,228.0	112.2%		
(Increase) in LT Receivables	.0	(2,975.2)	.0	(265.8)	.0	.0	.0	(179.4)	(14,002.7)	.0	.0	(2,496.0)	(19,919.1)	(12,006.5)	(7,912.6)	65.9%		
Decrease in LT Receivables	.0	850.9	.0	1,751.3	.0	1,725.9	.0	115.4	31,948.0	.0	.0	3,699.1	40,090.6	4,793.5	35,297.2	736.4%		
Acquisition of Capital Assets	(11,583.7)	(2,944.8)	(2,524.8)	(3,695.8)	(16.3)	(252.1)	(18,957.0)	(124.0)	.0	(21,952.0)	(10,476.3)	(171.5)	(72,698.3)	(75,693.0)	2,994.7	-4.0%		
Disposition of Capital Assets	.0	.0	.0	.0	.0	.0	.0	.0	.0	4,017.4	.0	.0	4,017.4	2,020.0	1,997.4	98.9%		
Change in Suspense	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	n/a		
Change in Other Assets	.0	.0	.0	.0	.0	.0	.0	.0	(1,082.1)	.0	.0	.0	(1,082.1)	(2,000.0)	917.9	-45.9%		
Change in Deferrals	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	n/a		
Increase in LT Debt	.0	1,500.0	.0	11,461.8	.0	.0	4,473.2	.0	(4,966.0)	20,000.0	.0	.0	32,469.1	35,826.6	(3,357.5)	-9.4%		
(Decrease) in LT Debt	.0	(221.1)	(282.8)	(28,324.9)	.0	.0	(7,807.5)	(200.0)	(29,570.8)	.0	.0	(900.0)	(67,307.1)	(19,649.1)	(47,658.0)	242.5%		
Change in Other Liabilities	(37.0)	1,586.5	(87.0)	265.8	.0	.0	8.4	85.2	11.7	(1,690.9)	(423.6)	.0	(280.9)	1,434.0	(1,714.8)	-119.6%		
Other Non-Working Capital Inc/Exp	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	n/a		
Non Income/Expense Change in Equity	.0	.0	.0	16,403.1	.0	.0	.0	.0	(20.7)	.0	.0	.0	16,382.4	15,279.1	1,103.2	7.2%		
Total Other Sources/(Uses) of Working Capital	(11,687.6)	(1,413.4)	(2,937.3)	292.4	(16.3)	4,146.3	(22,765.2)	(280.6)	(17,382.6)	(7.4)	(423.8)	138.6	(52,336.8)	(45,061.4)	(7,275.4)	16.1%		
Transfer In from (Out to) Other Funds																		
Transfers In from Other Funds	6,330.9	4,702.2	1,952.3	1,716.2	.0	.0	197.9	.0	2,948.9	325.0	1,331.3	12,133.7	31,638.4	26,479.5	5,158.9	19.5%		
Transfers Out to Other Funds	.0	(325.0)	.0	(1,716.2)	.0	(10,688.0)	(3,031.7)	(91.3)	(9,010.7)	.0	(1,331.3)	(5,444.2)	(31,638.4)	(26,479.5)	(5,158.9)	19.5%		
Net Transfer In/(Out)	6,330.9	4,377.2	1,952.3	.0	.0	(10,688.0)	(2,833.8)	(91.3)	(6,061.9)	325.0	.0	6,689.5	.0	.0	.0	n/a		
Net Change in Working Capital	.0	1,940.3	1,221.5	4,871.8	241.7	(1,173.0)	(501.3)	81.7	(22,380.4)	(752.4)	507.1	2,848.9	(13,094.3)	(6,932.5)	(6,161.7)	88.9%		
Projected Working Capital, Beginning of Year	4,770.2	(281.8)	4,935.4	(2,387.2)	243.4	2,863.7	9,466.5	1,016.7	23,103.4	1,937.4	901.6	29,707.3	76,276.7	38,501.8	37,774.8	98.1%		
Projected Working Capital, End of Year	\$4,770.2	\$1,658.6	\$6,156.9	\$2,484.5	\$485.1	\$1,690.7	\$8,965.1	\$1,098.5	\$723.0	\$1,185.0	\$1,408.7	\$32,556.2	\$63,182.4	\$31,569.3	\$31,613.1	100%		



# T A B N U M B E R

6





**TO:** Board of Commissioners

**FROM:** Connie Davis

**DATE:** December 13, 2016

**RE:** **Resolution No. 5556: King County Housing Authority  
Procurement Policy and Procedure Manual**

---

**Executive Summary**

Resolution No. 5556 authorizes the adoption of revision to KCHA's Procurement Policy and Procedures Manual. The majority of the policies and procedures included in this document have already been adopted by the Board via Resolution No. 3067, passed in April 2000. The revisions reflect an entirely new format, make additions and deletions in conformity with current Federal and State law, clarify certain existing policies and add new policies which are needed due to HUD's requirement that housing authorities conform to procurement regulations contained in 2 CFR 200 as opposed to the current 24 CFR 85.36.

**Discussion**

In February 2015, HUD issued Notice SD-2015-01 Transition to 2 CFR Part 200, *Uniform administrative requirements, Cost Principles and Audit Requirements for Federal Awards, Final Guidance*. "The purpose of 2 CFR Part 200 is to streamline the Federal government's guidance on administrative requirements, cost principles, and audit requirements to more effectively focus Federal resources on improving performance and outcomes, while ensuring the financial integrity of taxpayer dollars in partnership with non-Federal stakeholders. The uniform guidance supersedes, consolidates and streamlines requirements from eight OMB Circulars" including two circulars most commonly applied to the Authority, A-87 and A-133. For KCHA the revised policy must be in place by December 26, 2016 with an effective date of January 1, 2017.

The Procurement Policy and Procedures Manual is a general guideline that regulates procurement activities by KCHA employees. Clearly written policies and procedures that are documented, updated and adhered to bring structure to KCHA employees and assist in day-to-day decision making regarding procurement. As part of the transition to the revised procurement standard, staff took the opportunity to review the entire policy to both update for new regulations as well as to fine tune certain parts of the policy to



better reflect changes that have occurred in state law and in KCHA's practices. A draft of that document was circulated among various departments for input and comment, and was reviewed by Mike Purdy, an expert consultant in housing authority procurement regulations and State of Washington public works law.

The new version of the Manual is more readable and has eliminated duplicate language in the current Policy, thus shrinking the size of the new Manual by about 30%. It will be posted on KCHA's Intranet and be searchable. The policies are divided into sections, delineating the differences between federal and non-federal allowances and restrictions, as well as between procurement types, such as construction and professional services.

The following sections of the old Manual were deleted:

- Job Order Contracting (JOC) - not used by staff and is not a desired method of procurement.
- Legal Services- specialized procurement for Legal Services has been removed from the revised regulations and thus a special section on their procurement is no longer necessary.

The following sections of the old Manual were moved:

- Environmentally Preferred Procurement (EPP)-although stated as a general policy impacting all procurements, detail as to implementation will be moved to a stand along policy from the Resource Conservation staff.
- Purchasing Cards (P-Card)-this is primarily a finance department policy and will be listed as such on the KCHA Intranet

Two new chapters are added to aid staff on policy and procedures:

- Records Retention (specific to bid and contract documents)
- Intents and Affidavits (specific to construction projects)

Most of the other sections and chapters had minor administrative procedural changes done to clarify and simplify language from the old Manual.

Some procedures and policies have been modified due to changes in Federal law or because KCHA has the discretion to make changes to reduce procurement restrictions.



The most significant changes to sections and chapters are outlined in the table below:

<b>Type/Subject</b>	<b>Funding Source</b>	<b>Old Manual</b>	<b>New Manual</b>
Very Small Purchase	Federal	\$0-10,000 (all types)	\$0-2,000, Construction \$0-3,000, Non Construction
Very Small Purchase	Non-Federal	\$0-10,000 (all types)	\$0-10,000 (all types)
Small Purchase	Federal	\$10,000-100,000	\$2,000-\$150,000, Construction \$3,000-150,000, Non-Construction
Small Purchase	Non-Federal	\$10,000-100,000	\$10,000-150,000 (all types)
Large Purchase	Federal	\$100,000+ (all types)	\$150,000+ (all types)
Large Purchase	Non-Federal	\$100,000 (all types)	\$150,000+ (all types)
Small Works Roster	Federal	\$0-100,000	\$0-150,000
Small Works Roster	Non-Federal	\$0-100,000	\$0-300,000
Task Order Contract Maintenance and Construction	n/a	\$0-25,000 per task NTE \$500,000	\$0-50,000 per task NTE \$1,000,000
Task Order Contract, A&E	n/a	\$0-75,000 NTE \$1,000,000	\$0-100,000 NTE \$1,000,000
Request for Qualifications (RFQ)	Federal	All types of services	Restricted to A&E only
Request for Qualifications (RFQ)	Non-Federal	All types of services	No change
Bid Bond (Construction)	n/a	\$100,000+	\$150,000+

### **Staff Recommendation**

Passage of the Resolution No. 5556 is recommended.





## **PROCUREMENT POLICY AND PROCEDURE MANUAL**



## TABLE OF CONTENTS

	Page no.
<b>A. General Overview and Guidelines</b>	<b>4-5</b>
1. Purpose	4
2. Application	4
3. Delegation of authority	5
4. Public access to the Policy	5
5. Ethics & conflict of interest	5
6. Environmentally Preferred Procurement	5
<b>B. Procurement procedures and methods common to <u>all</u> KCHA operations</b>	<b>6-22</b>
1. Review and approval process	6
2. Budget authority	6
3. Cost estimate	6
4. Very small purchases	7
5. Small purchases	7-8
6. Large purchases	8-9
7. Bid/solicitation documents	9
8. Pre-bid conferences	9
9. Bidder submissions	9-10
10. Determining responsive and responsible bidders	10-11
11. Performing due diligence	11
12. Contract award	11-12
13. Contract execution	12
14. Contract terms	13
15. Contract administration	14
16. Change orders	14-15
17. Zero-cost change orders	15
18. Non-competitive procurement	15-16
19. Request for Proposals (RFP)	16-17
20. Request for Qualifications (RFQ)	17
21. Insurance and indemnification	17-18
22. Insurance claims	18
23. Records Retention	19
24. Cooperative purchasing	19-20
25. Brand name ordering	20
26. Women and Minority owned businesses	21
27. Appeals and remedies	21-22



<b>C. Procurement procedures and methods common to <u>all construction</u> projects</b>	<b>23-30</b>
1. Bid bond	23
2. Payment and Performance Bond	23-24
3. Retainage	24
4. Intents and Affidavits	24
5. Liquidated damages	24-25
6. Debarment of contractors	25-26
7. Small Works Roster	26-27
8. Task Order Contracting	27-28
9. Value Engineering	28-29
10. General Contractor/Construction Manager (GC/CM)	29-30
11. Progress Payment Suspension Criteria	30
<b>D. Procurement procedures specific to <u>Federally funded</u> activities</b>	<b>31-37</b>
1. Overview of 2 CFR 200.318 to .326	31
2. Construction and non-routine maintenance projects	31-32
3. Required contract provisions	32
4. Professional and Social Services projects	33
5. Section 3 Program	33-37
<b>E. Procurement methods specific to <u>non-Federally funded</u> activities</b>	<b>38-39</b>
1. Construction and non-routine maintenance projects	38
2. Tax Credit properties	39
<b>F. Department specific procedures and methods</b>	<b>40-41</b>
1. Administrative Services	40
2. Executive	40
3. Home Repair and Weatherization	40
4. Homeless Housing	40-41
5. Information Technology	41
6. Resident Services	41
<b>G. Specialized procedures and methods</b>	<b>42-44</b>
1. Architecture & Engineering Services (A&E)	42
2. Purchases under \$50	42
3. Purchase orders (PO)	43
4. Long term agreements	43-44
5. Environmentally Preferred Purchasing	44
<b>Glossary</b>	<b>44-58</b>



## **A. GENERAL OVERVIEW AND GUIDELINES**

### **1. PURPOSE**

This Procurement Policy of the King County Housing Authority (KCHA) is established to provide operating guidelines, procedures, and methods of procuring goods and/or services in accordance with the Mission of the Authority.

This Policy will provide for the fair, equitable, impartial, and unbiased treatment of all persons and business entities involved in procurement related activities with KCHA.

It is the intent of this Policy to assure the quality of goods, services and performance of contracts in the most efficient and cost effective manner possible.

This Policy will support competitive procurement, and will provide procedural safeguards for sustaining the integrity, responsibility and management practices in all procurement matters.

All procurement actions will fully comply with all applicable Federal standards, state and local laws and HUD regulations. No other procurement policies or procedures are allowed unless expressly authorized by this Manual.

### **2. APPLICATION**

This Policy applies to all procurements of goods, equipment, materials, and services, including purchases, leases, rentals, routine maintenance, construction contracts, social service contracts and professional service contracts.

It applies to all KCHA owned and managed properties, KCHA owned properties managed by third party property management companies, privately owned properties and Partnership properties.

This Policy applies to every expenditure of funds, from all funding sources. Funding sources include, but are not limited to Public Housing Operating and Capital funds, HOME/HOF, any Federal, state or local funding including grants and subsidies and KCHA operating revenues and reserves.

This Policy will not exempt KCHA from complying with the requirements of any grant, contract, gift, or bequest that is otherwise consistent with law.



### **3. DELEGATION OF AUTHORITY**

The Executive Director of KCHA will be designated by the Board of Commissioners to act as the KCHA Contracting Officer for all procurement actions.

As Contracting Officer, the Executive Director will approve all procurement actions and execute all contractual obligation documents for KCHA.

The Executive Director may designate KCHA Department Directors as Contracting Officers, stating clearly the limitation of their procurement authority to approve procurement actions or execute contractual obligation documents.

The Executive Director ensures that all procurement actions meet the requirements of applicable laws, regulations and procedures.

### **4. PUBLIC ACCESS TO THE POLICY**

This Policy is a public document per RCW 42.56, the Washington Public Records Act. It is available to the public for review and/or dissemination, following the procedures of KCHA's Public Disclosure Request Policy. There is nothing in this Policy subject to redaction or withholding if a public document request for the Policy is received.

### **5. ETHICS AND CONFLICT OF INTEREST**

In accordance with the KCHA Human Resources (HR) Policies and Procedures, no KCHA Commissioner, employee, temporary employee or volunteer will engage in any act which is in conflict with their official duties. Refer to Section 3.10, Ethics and Conflict of Interest, in the HR Policies and Procedures Manual for complete guidelines.

### **6. ENVIRONMENTALLY PREFERRED PROCUREMENT**

To support a more sustainable Housing Authority and to minimize environmental impacts, KCHA will procure recycled content and environmentally preferred products unless such products do not perform satisfactorily and/or are unreasonably expensive. This is consistent with Resolution 5005, Commitment to Sustainable Communities Through Excellence in Environmental Stewardship, dated May 2005.



## **B. PROCUREMENT PROCEDURES AND METHODS COMMON TO ALL KCHA OPERATIONS**

### **1. REVIEW AND APPROVAL PROCESS**

Procurement transactions valued under \$25,000 may be authorized by the issuing Department without further review or approval by the Administrative Services Department, with two exceptions: a) the procurement has been declared an emergency, or, 2) a change order is valued at 10% or more of the cumulative contract value, regardless of the size of the change order amount. (See Sections B18 and 16, respectively, for more information regarding these two types of exceptions.) Department Directors will ensure compliance with this Policy and may delegate in writing their Department's procurement actions to qualified employees, stating the limitation of their authority.

The Administrative Services Department reserves the right to audit other Department procurements under \$25,000 to ensure compliance with this Policy.

All procurement transactions valued over \$25,000 must have review and approval by the Administrative Services Department. Such transactions include, but are not limited to, bid solicitation, contract award and execution, change orders, contract modifications and Interlocal Agreements (that involve an exchange of monies). Review and approval by Administrative Services must be documented on the Procurement Approval Request Form.

### **2. BUDGET AUTHORITY**

Before any goods and/or services are solicited, they must be budgeted for and approved in the current calendar year's budget. If the good and/or service is not budgeted and is valued under \$25,000, approval must be obtained from the Department Director (or designee) before solicitation begins. If the good and/or service is valued over \$25,000 and unbudgeted, approval must be obtained from the Deputy Executive Director of Administration before solicitation begins.

### **3. COST ESTIMATE**

A cost estimate is recommended in order to compare the market value of the solicitations received to what KCHA expects to pay for goods and/or services expected. The following is recommended as applicable to the size of procurement:

- a. Price paid on the most recent contract or purchase order based on similar items.
- b. Analysis if no recent contract or purchase order item cost detail exists.
- c. Written analysis for all items within the scope of work.
- d. Breakdowns of direct costs, labor, overhead and profit.



#### 4. VERY SMALL PURCHASES

Very Small Purchases (VSP) (also known as Micropurchases) are defined as those that are valued under \$3,000 when using funds from Federal sources and \$10,000 for non-Federal funding sources.

**For federally funded construction projects, this limit is \$2,000.** Only one bid is required ("single source"), however, it is recommended that 2 or more are solicited to ensure that the pricing is fair and market competitive. **VSP procedures:**

- a. Obtain Department Director (or designee) approval to begin the solicitation.
- b. Solicit at least one quotation in writing from a relevant vendor, using the Purchase Documentation Form or equivalent.
- c. Determine if the bid is within budget and market competitive. If the bid is not within budget and/or market competitive, repeat the process until an acceptable bid is received.
- d. Bids over the VSP limit must be rejected and the Small Purchase procedures must be followed. (See Section B5 for details.)
- e. Once a bid is accepted, perform due diligence on the vendor to ensure they can do business with KCHA. (See Section B11 for details.)
- f. If the purchase is for goods, submit a Purchase Order (PO) for approval before the goods are received. (See Section G6 for details.) If the purchase is for services, or for services and goods, a contract must be executed with the vendor. (See Sections B12-15 for details on contracts.)
- g. If the vendor is new to KCHA, a W-9 will be required, along with a completed New Vendor Set-up Form and submitted to Accounting before a PO can be created and payment is made.

#### 5. SMALL PURCHASES

Small Purchases (SP) are defined as those that are valued between \$3,001 to \$150,000 when using funds from Federal sources and \$10,001 to \$150,000 for non-Federal funds. Three bids are required, or at least written documentation that there was an attempt to obtain three bids and also an attempt to solicit one WMBE and/or a Section 3 vendor (if HUD funded) when using the SP procedure. The Small Works Roster (SWR) procedures for this size of procurement may be used instead of the SP procedures. Refer to Section C7 for details about the SWR. **SP procedures:**

- a. Obtain Department Director (or designee) approval to begin the solicitation. Use a Purchase Documentation Form or equivalent.
- b. Solicit at least three bids in writing from relevant vendors. Vendors must submit their bid on their official letterhead and signed by an authorized representative at the vendor who can represent their bid.
- c. Determine if the bids are within budget and market competitive. If the bids are not within budget and/or market competitive, repeat the process until an acceptable bid is received.
- d. Bids over Small Purchase limit must be rejected and Large Purchase procedures must be followed. (See Section B6 for details.)
- e. Once a bid is accepted, perform due diligence on the vendor to ensure they can do business with KCHA. (See Section B11 for details.)



- f. If the purchase is for goods, submit a Purchase Order for approval before the goods are ordered. Orders must be approved prior to purchase. (See Section G3 for details.) If the purchase is for services, or for services and goods, a contract must be executed with the vendor. (See Sections B12-15 for details on contracts.)
- g. If the vendor is new to KCHA, a W-9 will be required, along with a completed New Vendor Set-up Form and submitted to Accounting before a PO can be created and payment is made.

## 6. LARGE PURCHASES

Large Purchases (LP) are defined as those that are valued over \$150,000, regardless of the funding source. Three bids are required, or at least written documentation that there was an attempt to obtain three bids and also an attempt to solicit one WMBE and/or a Section 3 (if HUD funded) vendor when using the LP procedure. Public advertising must be conducted when using LP procedures. The Small Works Roster (SWR) procedures may be used instead of the LP procedures for non-federally funded projects for procurements valued up to \$300,000. (Refer to Section C7) **LP procedures:**

- a. Obtain Department Director (or designee) approval to begin the solicitation. Use a Purchase Documentation Form or equivalent.
- b. Solicit at least three bids in writing from relevant vendors. Vendors must submit their bid on their official letterhead and signed by an authorized representative of the vendor who can represent their bid.
- c. Determine if the bids are within budget and market competitive. If the bids are not within budget and/or market competitive, repeat the process until an acceptable bid is received.
- d. Once a bid is accepted, perform due diligence on the vendor to ensure they can do business with KCHA. (See Section B11 for details)
- e. If the purchase is for goods, submit a Purchase Order for approval before the goods are ordered. Orders must be approved prior to purchase. (See Section G3 for details) If the purchase is for services, or for services and goods, a contract must be executed with the vendor. (See Sections B12-15 for details on contracts)
- f. If the vendor is new to KCHA, a W-9 will be required, along with a completed New Vendor Set-up Form and submitted to Accounting before a PO can be generated and payment is made.
- g. Public advertising procedures:
  - i. The time period for public advertising from the publication to the close of the bid must be at least 14 calendar days. Holidays must be factored in when determining the closing date.
  - ii. Advertisements in newspapers must be published at least once, preferably on the day that the bid is available to the public.
  - iii. Advertisements must be placed in a newspaper of *general circulation*, 2 or more minority community newspapers and on KCHA's website. Construction project documents may be submitted to the regional plan centers.
  - iv. Advertisements at a minimum must state: name of the project, very brief scope of work, due date and time for submission, contact person information (name, phone, email) and encourage WMBE participation. Ads for construction projects should include bid and



performance/payment bond information (if applicable), architect/engineer estimate (if applicable) and costs for obtaining the plans and specifications.

## **7. BID/SOLICITATION DOCUMENTS**

Bid documents are prepared appropriate to the type of procurement. Invitation for Bid (IFB), Requests for Proposals (RFP) and Requests for Qualifications (RFQ) will differ in their specific requirements so that vendors can accurately complete the bid/solicitation. The bid documents must clearly state in layman terms all the requirements, performance expectations, results and standards expected for completing and accepting the bid. Addenda to the bid documents must be published in writing if:

- a. Additional information is discovered and/or given that would give a competitive advantage to one or more bidders.
- b. The bid deadline is extended due to changes in the solicitation.
- c. Addenda must be sent to all bidders who have requested a bid package and be a part of the bid documents for any bidders who request the bid documents after the addenda are published.

## **8. PRE-BID CONFERENCES**

Pre-bid conferences are recommended for projects that are complex and may not be fully understood by bidders when reviewing the bid documents. The conferences are held to review scope of work, to provide additional information and to answer questions. Pre-bid conference information (location, date, time, contact person) must be included in the bid documents.

Mandatory pre-bid conferences where non-attendance by a bidder will deem them “non-responsive” must be approved in advance by the Deputy Executive Director of Administration (DED) with a written memorandum by the issuing Department. Waivers may be issued on a case by case basis or a broader basis at the discretion of the DED.

## **9. BIDDER SUBMISSIONS**

When bids are required to be submitted to the KCHA Central Campus and are required to be submitted on a specific due date and time, to ensure timely submission by vendors to KCHA, the front desk receptionist should be informed by the issuing Department about the following:

- a. name of the bid;
- b. due date and time of the bid;
- c. whether a date stamp is required, and if so, where it needs to be located on the bid submission envelope.



It will not be the responsibility of the receptionist to ensure that bids are submitted in a timely manner. The issuing Department should have a representative stationed where the bids are due a few minutes before the due date and time to guide potential bidders on where to submit their bids.

For bids issued by staff at field offices, a staff member must be at the office to take and date stamp the bids when they are submitted, if there is a required due date and time required for bid submission.

Other bidder submission provisions include:

- a. No bid may be accepted after the time and date specified in the bid documents.
- b. Bids must remain sealed, unopened and secure until the designated opening time.
- c. A bidder may withdraw the bid at any time prior to the bid opening upon written request.
- d. A bidder may modify the bid at any time prior to the bid opening upon written request.

When conducting a formal Invitation for Bid (IFB), the bid must be opened in a public and formal setting. The following procedures apply to the bid opening process:

- a. The public is allowed to attend the bid opening;
- b. The bids are tabulated on a bidder list or roster;
- c. The bidder and their bid amount are announced by the witness;
- d. The bidder name and their bid amount are recorded by a recorder, who is not acting as the witness;
- e. No declaration of a winning bid is stated at the bid opening. Just state that the bids will be reviewed and KCHA will notify the selected bidder.

#### **10. DETERMINING RESPONSIVE AND RESPONSIBLE BIDDERS**

- a. A responsive bidder is one that meets at least these basic criteria:
  - i. Submits all the required documents and forms on time;
  - ii. Completes the required documents and forms as instructed;
  - iii. The instructions for bidders should include a provision giving KCHA the discretionary authority to waive technical defects in the bid. KCHA may waive these defects, but only where the non-compliance (1) does not deprive KCHA of the assurance that the contract will be entered into and performed and (2) does not confer a competitive advantage on the bidder(s).
- b. A responsible bidder is one that meets at least these basic criteria:
  - i. Meets the basic requirements to perform the job or project;
  - ii. Has adequate financial resources to perform a contract;
  - iii. Is able to comply with the associated legal or regulatory requirements;
  - iv. Is able to deliver according to the contract schedule;
  - v. Has a history of satisfactory performance;
  - vi. Has good reputation regarding integrity and business ethics;
  - vii. Has or can obtain necessary data, equipment, and facilities;



- viii. Is otherwise eligible and qualified to receive award if its bid is chosen; and
  - ix. Has not been suspended, debarred or otherwise determined to be ineligible for award of contracts by the Department of Housing and Urban Development (HUD) or any other agency of the U.S. Government, the State of Washington or KCHA (See Section C6 for debarment by KCHA).
- c. A bidder who was initially the apparent winner but is declared “not responsible” has an opportunity to appeal that determination.
- i. In writing: KCHA must provide reasons in writing. The preferred method of notifying the bidder is email or fax. Keep the date stamp information in the file. If U.S. mail is to be used, you must send via certified mail, return receipt requested.
  - ii. Bidder may appeal:
    - a) Within time specified in bid documents (recommend 2 business days).
    - b) Additional information in writing may be submitted within the determined time period.
  - iii. KCHA must consider additional information that was not in the original bid documents.
    - a) If bidder is still determined “not responsible”, KCHA issues in writing the final determination.
    - b) KCHA will issue a final determination within seven business days and provide at least two full business days written notice to the bidder of its intent to either award a contract for the project, or to reject all bids and resolicit the project per this Policy.

## **11. PERFORMING DUE DILIGENCE**

After a bidder is determined to be responsive and responsible, due diligence must be performed to ensure that KCHA can award a contract to the successful bidder. Due diligence items should include:

- a. Current with worker’s compensation with Department of Labor and Industries (L&I),
- b. Current with Washington State taxes with the Department of Revenue,
- c. Current with the Department of Employment Security,
- d. Not on debarred lists with Federal and State governments and KCHA,
- e. Current and active business UBI and contractor license (if applicable) with L&I,
- f. Current experience modification factor with L&I,
- g. Conducting reference checks.

## **12. CONTRACT AWARD**

Award of a contract is based on the criteria set forth in the solicitation and bid documents. Award is usually made under the following conditions:

- a. To the lowest responsible and responsive bidder, as determined by price, delivery, quantity, quality of goods or services offered, performance record, adequate financial resources, business ethics, compliance with public policy, no suspensions or debarments, bid is not unbalanced, and ability to complete the procurement.



- b. To the firm or individual that receives the highest rating from a panel of evaluators under the Request for Qualifications or Request for Proposals solicitation process.
- c. Multiple contracts for professional and general services to the same vendor may be awarded under a single solicitation as long as the following conditions are met:
  - i. The bid documents clearly state that KCHA reserves the right to award multiple contracts in lieu of change orders.
  - ii. The scope of work for the contracts is similar and does not deviate from the scope outlined in the bid documents.
  - i. The total value of all the contracts awarded does not exceed the project's budget or cost estimate.

For jobs or projects valued under \$25,000, contract award may be executed by the issuing Department. For contracts valued between \$25,001 to \$100,000, the award is performed by the Administrative Services Department. For contracts valued over \$100,000, the award is performed by the Executive Department. Documentation needed to award at this stage of procurement includes at a minimum:

- a. Procurement Approval Request form completed and signed/dated by the Dept. Director;
- b. Award memorandum justifying the award;
- c. Copy of the winning bid or proposal;
- d. Copy of the bid tabulation or scoring sheet; and,
- e. Contract award letter on KCHA letterhead and signed by the appropriate KCHA staff, with a section on the award letter for the vendor to sign and acknowledge receipt of the award letter.

After the contract is awarded and before a contract is executed, a Certificate of Insurance (and, if applicable, payment and performance bonds) must be submitted by the winning bidder and it must contain all the required insurance provisions. (See Section B21 for details on insurance requirements).

**Failure to provide proof of the adequate insurance (and/or bonds) within seven (7) days of the Notice of Award will result in forfeiture of the award.**

### **13. CONTRACT EXECUTION**

After the award letter is received back from the vendor, and the insurance (and bond, if applicable) requirements are met, a contract is executed by both parties. Typically KCHA will sign the contract first.

Except in special circumstances, all KCHA vendors will use the KCHA contract. KCHA may sign the vendor contract when the project is very specialized and language in the vendor contract is more complete and accurate to describe the tasks necessary for the project.

Review of vendor written contracts must be performed by the Administrative Services Department before contract execution is performed by the issuing Department.



#### 14. CONTRACT TERMS

Contracts for professional and social services shall be a “not to exceed” type both for value and term. The maximum term for these types of contracts shall be six years, with a few exceptions. (See Section G4-Long Term Agreements for details). Construction contracts shall be for the duration of the construction project.

All contracts submitted for review and approval must include a Not to Exceed (NTE) value for the contract which encompasses the total potential value of the procurement during the entire term of the contract. This value, which is generally not shared with contractors performing services, will be included in the Quarterly Procurement Report which is presented to the Board of Commissioners.

For construction type contracts the NTE is usually the bid amount. When change orders in this category are received in Administrative Services, they should include a justification of the change describing the conditions which caused it and an analysis of the cost in relation to an independent cost estimate and/or the values bid in the original bid response.

Service contract NTEs have a different formula to follow. If the contract is for a fixed period, with no opener, then the NTE is the contract value. Such a contract can only be changed via the conditions change method and then only when the procuring documents allow for term changes or have a broad enough scope definition to include additional work. Contracts which are for a more limited period, but whose terms allows for extensions should reflect an NTE which includes all of those extension even **if there is a possibility that the extension language will not be triggered**. The annual value of such a contract multiplied it by the number of total years it potentially could be in effect equals the NTE. Because the terms of such contracts can be up to six years, an inflation factor of 3% per year may be applied.

Best practice dictates that contracts which are to be extended should not be allowed to lapse prior to the extension. No payments can be made for services performed under an expired contract.

Once an NTE is calculated, it should not change for the entire term of the contract, unless there is a conditions change that changes the scope of the services. If such a conditions change takes place, and the annual value of the contract is expected to be at a higher level through the remainder of the term, the NTE should be restated. This would be the process which would take place if a contract is let on a “pilot” basis. If the pilot is then scaled up, the new annual value of the contract is likely to be higher. During the quarter the contract is increased due to this scope change, the change order would be considered a conditions change. Thereafter, the new annual value would be used to as the basis for the revised NTE. An example of this process:



## 15. CONTRACT ADMINISTRATION

The issuing Department is responsible for the administration of their contracts. Contract administration at a minimum includes:

- a. Assigning a qualified employee to manage the contract;
- b. Approving timely payment to the vendor as per the contract terms;
- c. Monitoring contract expenses and remaining balance;
- d. Maintaining current certificates of insurance;
- e. Responding to and solving vendor complaints made by either the public or staff;
- f. Monitoring compliance of contract provisions;
- g. Maintaining the contract/project file in an orderly manner; and,
- h. Insuring contractors or vendors are performing within the scope of work, schedules and contract terms.

## 16. CHANGE ORDERS

**Change orders should be made with great caution so as to not appear to have been created in order to avoid properly procuring the good and/or service needed. The procedures to properly execute a change order include:**

- a. It is prepared and issued after the award of a contract.
- b. The Contract Documents should state that KCHA may at any time, as the need arises, make minor changes within the scope of the project (e.g. modify the drawings, designs, specifications) without invalidating the contract.
- c. Change Orders should include:
  - i. a detailed description of the proposed change in work;
  - ii. a reference to the applicable working drawings and specifications (if appl.);
  - iii. a fixed price (credit, debit, or no cost) for the change in contract work;
  - iv. estimate of any additional time, if any, required to complete the work;
  - v. the contractor's itemized breakdown of the cost of materials and labor and an itemized breakdown for any applicable subcontractors;
  - vi. the change indicated on the architectural or engineering drawings (if appl.).
- d. Change Order approval process:
  - i. By the Project Manager or Construction Coordinator for field driven change orders valued under \$5,000 (as determined and/or delegated by the Department Director).
  - ii. By the Contract Administrator (see Section B15) and Department Director for change orders under \$25,000.
  - iii. By Administrative Services for non-construction related change orders valued between \$25,000 and \$100,000.
  - iv. By the Administrative Services and Executive Departments for change orders valued over \$100,000 or for construction related change orders over \$25,000.
  - v. Change Orders 10% or more above the original contract amount, **regardless of the value of the change order**, require the approval of the Administrative Services Department and Executive Director (or assigns).



- vi. Negative/deductive change orders may stay within the issuing Department for approval.
- e. Documentation to get change orders approved should at a minimum include:
  - i. Procurement Approval Request Form signed and dated the appropriate change order number, in a sequential series,
  - ii. Memorandum explaining the need for the change order,
  - iii. Change Order form,
  - iv. Justification for the change order from the vendor in form of a letter, pricing sheets, or other similar documents, if the vendor is requesting the change order,
  - v. Photographs (construction projects).

## **17. ZERO-COST CHANGE ORDER**

Zero-cost change orders involve changing the contract without monies being exchanged by KCHA or the vendor. Zero-cost change order approval follows the same processes as the change order approval (refer to Section 16d above) if the change is substantial. To determine what is “substantial”, contact the Senior Management Analyst in Administrative Services for assistance. Use the Zero-cost change order form which includes language on what sections of the contract are being modified and how they are modified, along with signatures by the appropriate KCHA staff and vendor representative.

## **18. NON-COMPETITIVE PROCUREMENT**

### **a. Emergency:**

- i. Procurement procedures may be waived under emergency circumstances, where time is of the essence in preventing serious injury or damage to KCHA staff, residents, or property; or, which threaten the public health, welfare or safety.
- ii. There must be an immediate and serious need for supplies, services or construction, where the need cannot be met by any other procurement method.
- iii. The emergency procurement must be limited to those supplies, services or construction necessary to control and correct the urgent situation.
- iv. The emergency must be declared in writing by the issuing Department Director to the Executive Director (or assigns).
- v. Once the emergency situation is under control, proceed with normal procurement procedures as per this Policy.
- vi. Detail the circumstances, conditions, services and results in a memorandum to the file.

### **b. Sole Source (note: this section does not apply to public works projects per RCW 39.04)**

- i. Defined as services and/ or goods of such a unique nature that it is clearly and justifiably the only practicable source to provide the service and/or good.
- ii. To obtain award approval of the solicitation, justify by means of memorandum to include:
  - a) the screening process and market research to determine that only one company can supply the goods and/or services; or
  - b) the legitimate specifications to which only one vendor can successfully respond; and,
  - c) the good or service availability through only one vendor; and,
  - d) the circumstances for the procurement.



**c. Special Market Conditions (note: this section does not apply to public works projects per RCW 39.04):**

This occurs when a need to act quickly or through a specific channel to take advantage of special circumstances to acquire a lower cost good such as an opportunity to secure a “good buy” at an auction OR goods offered a very favorable price that would be sold before KCHA would have a chance to complete the competitive bid process. To obtain award approval, justify in a memorandum to include:

- i. The market condition;
- ii. cost analysis and comparisons to standard procurement methods;
- iii. the time constraints; and
- iv. the circumstances requiring the procurement.

**d. Lack of Competition / Less than 3 Bidders**

- i. Attempt to obtain written statements from non-bidders detailing reason(s) why solicitation was not bid.
- ii. Re-bid solicitation as necessary.
- iii. To award the bid, justify in a memorandum to the contract file:
  - a) why the bid process was not flawed;
  - b) why no purpose would be served by re-soliciting the work;
  - c) the availability of contractors to perform the work;
  - d) the time requirements related to the urgency of the performance; and
  - e) the general surrounding circumstances for lack of competition.

**19. REQUEST FOR PROPOSALS (RFP)**

An RFP is issued when price is determined to not be the sole criteria needed to select a bidder. Other criteria may include, but are not limited to: experience, qualifications, references, interviews, product quality or specifications; with price being one of the required criteria. RFPs are typically issued for professional services, general services and/or social service projects or programs. RFPs are also allowed for construction projects, provided that the RFP include all the provisions and regulations needed as an IFB method would require.

RFP criteria are assigned fixed point values or letter grades. For points, a typical maximum a bidder can obtain is 100, however, this is not a fixed number and may vary. Letter grades typically follow the A-F scale as seen in education.

**a. Bid opening**

- i. RFP proposals are not opened in a public setting.
- ii. RFP proposals are date stamped when received by reception.
- iii. RFP proposals are kept sealed and only opened after the due date and time designated by KCHA.

**b. RFPs are to be evaluated by a selection committee of at least three (3) qualified persons as determined by the Department Director or assigns. The persons on the committee should**



recuse themselves from evaluating proposals if there is a conflict of interest, real or perceived, with the proposers or if they have a strong bias for or against any of the proposers. Non-KCHA staff may be on the selection committee as long as they sign the *Conflict of Interest Certification* form. Recommendations for evaluations include:

- i. Proposer's responsiveness to information requested;
- ii. Proposer's qualifications to successfully complete the project;
- iii. Proposer's references to include KCHA past performance if a current or former vendor, and/or three (3) references if a new vendor;
- iv. Comparison of the proposals to the project requirements in the RFP;
- v. Determining if all required information, certifications, and conditions have been satisfied; and,
- vi. Section 3 analysis, as applicable. (See Section D5 for details)

**c. Proposal Negotiations:**

The issuing Department will conduct negotiations separately with each proposer. Proposals may be selected by the following:

- i. Qualifications, technical ability, scope, and price of the highest rated proposer. If no agreement is reached, the next highest proposer rated may be selected. If an inability to reach an agreement with the proposers occurs, consider a re-bid of the solicitation, a scaled down project, or project cancellation, whichever is in the best interest of KCHA.
- ii. Provide for Best and Final Offers upon completion of negotiations. Best and Final Offers are submitted only once unless KCHA determines that it is in its best interest to conduct additional negotiations.
- iii. If no Best and Final Offer is submitted by a proposer, then the immediate previous offer will constitute the Best and Final Offer.

## **20. REQUEST FOR QUALIFICATIONS (RFQ)**

RFQs are very similar to RFPs in that they use criteria, weighted by points or a letter grade, to determine which vendor is best qualified to perform the job or project. One criteria not used in the initial review of vendors is price. Price is negotiated separately after a contract is awarded but before contract execution.

**When using funds from Federal sources, the RFQ process may only be used when procuring Architectural and Engineering (A&E) services. All other federally funded professional services must use the RFP process.**

RFQs must follow the proposal opening, evaluation review and proposal negotiations as outlined above in Section 19B, Request for Proposals.

## **21. INSURANCE AND INDEMNIFICATION**

All vendors who are under contract with KCHA are required to carry insurance and have their insurance meet KCHA minimums. The contracts also require indemnity language, which must be a separate section in the contract and NOT intermingled with the insurance requirements. Such language is not to



be considered the KCHA policy on insurance requirements for every contract. Insurance requirements of KCHA are, whenever possible, individually tailored to a specific contract or contract risk environment by the Risk Manager.

**a. Basic insurance requirements:**

Four basic types of insurance are required of almost all contracts:

- i. Commercial General Liability
- ii. Business Automobile Liability
- iii. Workers Compensation and
- iv. Stop Gap (Washington Employers Liability)

**b. Other insurance requirements:**

Depending upon the potential risk related to the goods or services provided by a vendor, other types of insurance or financial guarantee may also be required:

- i. Professional Liability (Errors and Omissions-E&O)
- ii. Property
- iii. Builders' Risk
- iv. Pollution Liability
- v. Crime
- vi. Cyber Liability

**22. INSURANCE CLAIMS—for claims above the deductible**

**a. Procurement requested by the insurance company**

- i. Verify in writing from the claims adjuster that KCHA will be responsible for obtaining the bids or proposals.
- ii. Obtain the estimate of costs to repair (or replace) the items on the claim from the claims adjuster.
- iii. The amount of the estimated cost will determine the type of procurement process needed to be followed by staff. If under \$10,000, use the Very Small Purchase procedure; between \$10,001 and \$150,000, Small Purchase procedure or use the Small Works Roster; or if over \$150,000, Large Purchase procedure or Small Works Roster.
- iv. Before awarding the contract, share the winning bid (or proposal) documents with the claims adjuster and get their approval to use that vendor.

**b. Procurement obtained by the insurance company**

- i. Verify in writing from the claims adjuster that the insurance company will be responsible for obtaining the bids or proposals.
- ii. Advise the claims adjuster in writing that KCHA is under restriction to observe the debarment list. KCHA must be allowed to check the names of the vendors under consideration against the debarment list before the claims adjuster selects the vendor.



## 23. RECORDS RETENTION

Type of document	Retention period
<b>Bids and Proposals – Successful</b> Records documenting bids and proposals made by other parties to provide the agency with goods, services, revenue, or other benefits which are accepted by the agency. Includes, but is not limited to: Request for proposal or bid (RFP), request for qualifications/quotations (RFQQ), specifications, etc.; Notices (filed with county clerk, newspaper, etc.); Bid proposals, evaluation documents, statements of qualification, applications, etc.	Retain for 6 years after completion of purchase or fulfillment of contract then <b>Destroy.</b> <b>RECORD DESTRUCTION ON KCHA’S CERTIFICATE OF RECORDS DESTRUCTION FORM</b>
<b>Bids and Proposals – Unsuccessful</b> Records documenting bids and proposals to provide the agency with goods, services, revenue, or other benefits, which are not accepted by the agency. Includes bid proposals, evaluation documents, statements of qualification, applications (rental/lease), etc. If agency decides not to proceed with purchase or agreement, records also include: Request for proposal or bid (RFP), request for qualifications/quotations (RFQQ), specifications, etc.; Notices (filed with county clerk, newspaper, etc.).	Retain for 4 years after end of fiscal year (Jan-Dec) then <b>Destroy.</b> <b>RECORD DESTRUCTION ON KCHA’S CERTIFICATE OF RECORDS DESTRUCTION FORM</b>
<b>Contracts and Agreements – Capital Assets (Non-Real Property)</b> Instruments signed by the agency and one or more parties that set out terms and conditions to which the signing parties agree or submit, and that relate to capital asset ownership, but do not establish, alter, or abolish real property ownership. Includes negotiations, change orders, compliance monitoring, etc. Includes, but is not limited to: Purchase and sales agreements (non-real property only); Bond, grant and levy project contracts/agreements (non-real property only); Building construction and improvements.	Retain for 6 years after completion of transaction or 6 years after termination/expiration of instrument or 6 years after disposition of asset (if asset owned by agency), whichever is later then <b>Destroy.</b> <b>RECORD DESTRUCTION ON KCHA’S CERTIFICATE OF RECORDS DESTRUCTION FORM</b>

## 24. COOPERATIVE PURCHASING

- a. KCHA is a member of several cooperative purchasing organizations. To use a good or service offered through the organization, the following steps apply:
  - i. Contact the vendor and let them know KCHA is a member of the organization and determine if the vendor has an interest and capacity to do the project.
  - ii. Explain to the vendor KCHA’s insurance requirements, (and bond and licensing requirements if for a construction project) and verify that the vendor can meet these requirements.



- iii. Negotiate contract terms and pricing, however, pricing typically will be the same as offered through the cooperative.
- iv. Route the contract as described in Section B1.
- b. To use a contract, good or service obtained by another local government, whether in or out of Washington State, the following procedures must be followed:
  - i. Determine how the agency procured the good/service by asking about their procurement procedures.
  - ii. Verify the agency has a formal procurement policy in place and that their policy is at least as stringent as KCHA's and in compliance with KCHA's.
  - iii. Verify that the Agency's procurement is still valid (i.e., the contract has not expired)
  - iv. If the agency is not in Washington State, verify that the Agency's state regulations allow for Interstate agreements. If so, find the specific statute name and number and record this.
  - v. Contact the agency's vendor to see if they have an interest in working with KCHA on the project, have the capacity to do the project and that the vendor can meet KCHA's insurance/indemnity, licensing and other KCHA specific statutes. If the vendor can do the project then proceed to the next steps below. **The scope of work that the other agency procured for must meet the general scope of work of your project.**
  - vi. Ask for documentation from the agency a copy of the bid document, a copy of the vendor's contract and a bid tabulation or scoring summary sheet. Review these documents and keep them in the project file.
  - vii. Once verified that the procurement procedures used by the agency can stand up to audit scrutiny, create two documents:
    - a) Resolution. The Resolution needs to be approved by the KCHA Board of Commissioners.
    - b) Interlocal Agreement. This signed by the Chief Executive Officer of each agency.
  - viii. Once the Resolution has been approved and Interlocal has been executed, contact the vendor to create a contract. Once a contract is created, then follow the KCHA processes for internal review and approval of that contract.
  - ix. Once KCHA and the vendor have executed the contract, then work can commence. The vendor cannot start working on the project until the contract is executed.

**25. BRAND NAME ORDERING (to be placed in the bid documents and/or contract)**

Specific brand name products must have approval of the Department Director of the issuing Department before the solicitation is released for bid.

- a. In order to specify a specific name brand product (Sherwin Williams red #34 paint, for example) in a solicitation, the Department issuing the bid must establish the following:
  - i. No other comparable or superior product(s) exists; and,
  - ii. Other products would not provide comparable or superior results.
  - iii. For Federally funded projects, the term "or approved equal" must be in the bid documents.
- b. Additionally, at least one of the following criteria for that specific brand product must be met:
  - i. It reduces the project costs and increases the efficiency of operations over a long term period;
  - ii. It increases the functionality of building systems;
  - iii. It simplifies inventory management; and enhances KCHA's ability to negotiate more favorable contracts.



## **26. WOMEN AND MINORITY OWNED (WMBE) BUSINESSES**

- a. It will be the annual goal of KCHA to solicit and award contracts and subcontracts to WMBEs as follows:
  - i. 14% of the total dollar amount of procurements to minority-owned business enterprises;
  - ii. 8% of the total dollar amount of procurements to women-owned business enterprises;
  - iii. Encouragement of qualified WMBEs to get placed on solicitation rosters (e.g. Plan Centers, Small Works Roster);
  - iv. Assurance that at least one WMBEs are solicited whenever using the Small Works Roster;
  - v. Division of total project or contract requirements, when allowed by Policy, into small tasks or quantities to permit maximum participation by WMBEs;
  - vi. Notification to the prime contractor, if subcontracts are to be let, of the above affirmative steps.
- b. Minority Business Enterprise:

A business which is at least 51% owned by one or more minority group members, or a publicly-owned business in which at least 51% of its voting stock is owned by one or more minority group members and whose management and daily business operations are controlled by one or more such individuals. Minority group members include, but are not limited to, African Americans, Hispanic Americans, Native Americans, Asian Pacific Americans, Asian Indian Americans and Hasidic Jewish Americans. Self-certification of this type of Enterprise is allowable.

- c. Women's Business Enterprise:

A business that is at least 51 % owned by a woman or women who also control or operate the business. Self-certification of this type of Enterprise is allowable.

## **27. APPEALS AND REMEDIES**

- a. General:

It is the policy of KCHA to resolve disputes and issues at the KCHA level. Disputes involving public funds will not be referred to the original funding agency until all administrative remedies have been exhausted by KCHA.
- b. Bid Protests:
  - i. A written protest may be filed by an interested party to the solicitation.
  - ii. The protest must be received by KCHA no later than two full business days following the bid opening.
  - iii. KCHA will issue a final determination within seven business days and provide at least two full business days written notice of its intent to either award a contract for the project, or to reject all bids and resolicit the project per this Policy.
- c. Contract Claims:
  - i. All claims by a contractor relating to contract performance will be submitted in writing.
  - ii. The Department Director or designee will review and determine the status of the claim.
  - iii. The Department Director may conduct a conference with the contractor on the claim to resolve the issue.



- iv. Written documentation, conference minutes, and supporting evidence will be maintained in the project file.
- v. Any claims involving disputed actions for public funded projects require a work stoppage until the contract claim is resolved.

DRAFT FOR APPROVAL



## C. PROCUREMENT PROCEDURES AND METHODS COMMON TO ALL CONSTRUCTION PROJECTS (regardless of funding)

### 1. BID BOND

- a. For construction contracts where on site labor exceeds \$250,000 and no federal funds are used, a bid guarantee equivalent to five percent (5%) of the base bid will be required. For Federally funded projects, the bid bond requirement level is for projects valued at \$150,000 or more. Department Directors, with justification, may establish lower limits for bid bond submittal on a project by project basis.
- b. May be provided in the form of a Bid Bond, certified check, or other acceptable negotiable instrument.
- c. Assures that, upon acceptance of the bid, contract documents will be executed by the bidder.
- d. All negotiable instruments will be placed in the custody of issuing Department. Negotiable instrument security will be assured by maintaining the documents in the KCHA safe. Return of the negotiable instruments will be made upon contract execution with the successful bidder.
- e. Bid Withdrawal After Bid Opening
  - i. A bidder who submits an erroneous low bid may withdraw the bid at the risk of forfeiting the bid bond. The bid withdrawal is permissible if there was an obvious error in the low bid, and the mistake is readily apparent from the bid itself. The bidder must notify KCHA and submit evidence of the error within twenty-four (24) hours of the bid opening. A memo must be made to the file describing the circumstances of the low bid withdrawal, and justification for return or forfeiture of the bid bond. The Executive Director must approve any return or forfeiture of bid bonds.
  - ii. Evaluating factors for return or forfeiture of bid bonds should include:
    - a) Whether the bidder acted in good faith;
    - b) Whether the bidder acted without gross negligence;
    - c) Whether the bidder gave prompt notice of the error;
    - d) Whether the bidder will suffer substantial detriment by forfeiture;
    - e) Whether KCHA's status has not greatly changed, and no substantial hardship will be caused.
  - iii. Any low bidder who withdraws its bid is prohibited from bidding on the same project if it is subsequently re-solicited.

### 2. PAYMENT AND PERFORMANCE BOND

- a. Performance and Payment Bonds will be obtained from the contractor for one hundred percent (100%) of the contract price for all public works projects unless using the Small Work Roster for projects valued under \$35,000.
- b. Bonds for federally funded projects must be obtained from guarantee or surety companies acceptable to the U.S. Government as listed in U.S. Treasury Circular Number 570. Bonds for other projects shall be secured by a surety company authorized to do business in the state of



Washington with ability to secure the value of the contract. The surety's company A.M. Best rating shall be A-:IV or greater.

### **3. RETAINAGE**

- a. Retainage on construction projects will be 5% of the contract value. Retainage amount must be published in the bid documents and referenced in the contract. Retainage is required for all public works projects costing \$35,000 or more.
- b. KCHA must complete and submit a *Notice of Completion* with the Washington State Department of Labor and Industries (L&I), Dept. of Revenue and Employment Security Dept. that the specified public works project has been completed. Before final settlement can be made on any public works project, the prime contractor and each and every subcontractor must submit an "Affidavit of Wages Paid" (see Section C4 below) to KCHA. No payments are to be made from retained funds until receipt L&I's *Certificate of Release* that the contractor and subcontractors have paid all required taxes, and that no claims from material suppliers, laborers, or subcontractors exist.
- c. No retainage shall be deposited into an interest bearing escrow account.

### **4. INTENTS AND AFFIDAVITS**

- a. The Contractor and their subcontractors must file a "Statement of Intent to Pay Prevailing Wages" and "Affidavit of Wages Paid" with the Washington State Department of Labor and Industries (L&I). There is no minimum dollar contract amount. Intent and Affidavit forms are required for every public works contract regardless of the size of the contract.
- b. The Intent form is filed immediately after the contract is awarded and before work begins, if that is possible. KCHA may not make any payments until contractors have submitted an Intent form that has been approved by L&I.
- c. The Affidavit form is not filed until after all the work is completed. KCHA may not release final retainage until all contractors have submitted an Affidavit form that has been certified by the L&I.

### **5. LIQUIDATED DAMAGES**

- a. Definition: Liquidated damages are specified daily charges deducted from moneys otherwise payable to the contractor for each day the contractor fails to meet a milestone and/or contract completion date. Another way of looking at liquidated damages is that it is the price the contractor must pay per day for working beyond the required completion dates. Liquidated damages are a contract-based remedy for breach of contract. It must be agreed to by the parties in the construction contract. Besides project value, these factors also need to be considered in determining liquidated damages:



- i. Time sensitivity
- ii. Milestones
- iii. Funding source requirements
- iv. Impacts on residents and/or services
- v. Impacts on the community
- vi. Phased project
- vii. Substantial completion date
- viii. Physical completion date
- ix. Final completion date

## **6. DEBARMENT OF CONTRACTORS**

During the course of a contract, situations may occur that indicate a contractor or its subcontractors should not participate in future KCHA business for a period of time. Such nonparticipation, known as debarment, is necessary to protect KCHA and the public from contractors, subcontractors, consultants or vendors who do not deliver goods and services in a cost effective and quality manner or who otherwise exhibit unacceptable business practices.

### **a. Criteria:**

- i. Refusal to properly execute contract documents in a timely period;
- ii. History of failure to do warranty work as requested or needed;
- iii. Material breach of prior KCHA contracts;
- iv. Deliberate or repeated violations of state or federal laws or regulations including but not limited to those pertaining to payment of prevailing wages, worker safety, and industrial insurance;
- v. Deliberate misrepresentations in bid or contract documents;
- vi. Default on a bid bond and/or payment and performance bond once in a 2 year period;
- vii. Failure to complete the project in a timely manner;
- viii. Adversarial behavior from the contractor that creates undue hardship to KCHA, tenants and the overall project.
- ix. Conviction of a company or its owners for a crime, including but not limited to: collusion, fraud, bribery, theft, falsification or destruction of records, or receiving stolen goods;
- x. Submission of a false or fraudulent claim; or
- xi. Debarment by another government entity.

### **b. Process:**

- i. The KCHA Department Director shall recommend debarment in writing to KCHA's Deputy Executive Director for Development (DED). The recommendation should include all supporting documentation that establishes one (or more) of the above-noted criteria relied on in making the debarment decision.
- ii. The DED should make a decision on the debarment within 10 business days of receiving the recommendation, unless it is not practical to do so, in which event the DED must make a decision as soon as reasonably possible.



- iii. If the decision is to debar, the DED shall send the written decision to the contractor. If the DED wishes to reject the recommendation of the Department Director to debar, he or she shall communicate the reasons in writing to the Department Director.
  - iv. The contractor or its subcontractor shall have thirty (30) business days from the date a decision to debar is issued to appeal the decision. During this time, the contractor shall be given the opportunity to review copies of all non-attorney/client privileged documents relied on in the making the decision. The appeal must be in writing and sent to the KCHA Executive Director. The contractor or its subcontractor has the right to meet with the Executive Director or the Executive Director's designee to appeal its case. Until the decision on the appeal is finalized by the Executive Director, the debarred contractor or subcontractor is ineligible to submit additional bids or participate with others in a bid to KCHA.
  - v. The Executive Director shall have 30 business days from the date of receipt of the notice of appeal to make a decision on upholding or overturning the debarment. The Executive Director may appoint an Appeals Committee to assist in the hearing and recommendation process. The final decision will be made in writing to the contractor by the Executive Director. That decision is final and not subject to further appeal.
  - vi. For the term of the debarment, the officers and principals of the debarred contractor or subcontractor shall also be barred from contracting directly or indirectly with KCHA, including through a separate organization or legal entity or as a subcontractor.
  - vii. Information on debarment is forwarded to the Senior Management Analyst in Administrative Services who will place the information on the P drive in the Procurement and Contracting folder. Information must include name of the contractor, reasons for debarment and time period of debarment.
- c. Term: Up to 3 years from final determination, at the discretion of the DED or, in the event of a timely appeal to the Executive Director, at the final discretion of the Executive Director.
- d. Appeals Committee: If the Executive Director elects to appoint an Appeals Committee, it will be composed of a minimum of three persons familiar with the industry or profession of the contractor, subcontractor, consultant or vendor. The Committee makeup does not have to be consistent for each and every debarment case.

## **7. SMALL WORKS ROSTER (SWR)**

### **a. Background:**

The use of a SWR by KCHA (RCW 39.04.155) may be allowed for projects valued up to \$150,000 for federally funded projects and \$300,000 for non-federally funded projects in lieu of using the Small and Large Purchase procedures as outlined in this Policy. If Small Works Roster cannot be used because of lack of qualified contractors, then, depending on the project value, the Small or Large Purchase procedures must be used (details in Sections B5 and B6). KCHA does not maintain its own SWR; instead, it is contracted to third parties who are responsible for the addition/removal of contractors, public notices and maintenance of the roster.



b. Bid procedures:

- i. **Use of the SWR not detailed below must comply with all applicable sections of Sections B, C, D and E of this Policy.**
- ii. Solicit, in writing, at least five bids from the trade specialty area, including at least one WMBE or Section 3 business, if possible.
- iii. If there are less than five contractors in the trade specialty area, solicit as many as there are in that trade specialty area. Document to the file on why less than five contractors were solicited.
- iv. Once a contractor has been invited to submit a bid, that contractor should not be solicited for future projects until all other contractors in that trade specialty area have been solicited.
- v. If all responsive bids exceed either \$150,000 or \$300,000 (depending on the funding source), then the Large Purchase procedures must be used (See Section B6 for details).

**8. TASK ORDER CONTRACTING (TOC)**

a. Background:

In certain circumstances, the use of specialized trades for small and routine construction and maintenance projects may be used in order to expedite work in a timely manner.

b. Dollar limits:

- i. Contracts awarded may not exceed \$500,000 for the first term.
- ii. Individual task orders may not exceed \$50,000.

c. Term limits:

Contracts awarded to task order contractors shall have an initial term limit of three years, with an option to grant one, three-year extension at the discretion of KCHA. The total NTE shall not exceed \$1,000,000.

d. Bidding requirements:

- i. Follow the Large Purchase Procedures bidding requirements as outlined in Section B6 above.
- ii. Use the Request for Proposal (RFP) method for evaluating and selecting a contractor. Refer to Section B19 for details on RFP methods.
  - a) In the RFP, thoroughly identify the possible scopes of work anticipated and for all tasks associated for the trade that will perform the scope of work.
  - b) Price must be weighted at least at fifty percent (50%) of the total points available in the evaluation criteria.
  - c) State and Federal prevailing wage rates must be included and considered separate line items when determining price.
  - d) Bid, Payment and Performance bonds will not be required for task order contracts. Requirements to post these bonds will be on a case by case basis, at the discretion of the Department Director.

e. Contract administration:

- i. The determination of which KCHA Department will solicit the bids, determine bid selection and maintain contract administration will be decided before a specific task order contract is solicited.



- ii. Administration of the contract shall stay with the selected Department for the duration of the contract term.
- iii. The administrating Department shall maintain the contract balance status of the TOC and share that information with other Departments that may want to use the TOC.
- iv. Once the contract is expended or expires (whichever comes first), the administrating Department is responsible for contract closeout.
- f. Issuance of the task orders:
  - i. Non-emergency:
    - a) The scope of work is developed by the person that needs the task done (“initiator”). The scope should include: estimated cost, material specifications (if needed), drawings (if needed), duration of work and special conditions. The contractor may be invited to do a site visit to help develop the scope.
    - b) Once the contractor has determined the estimated cost of the task order (TO), the balance of the contract will be checked by the initiator before a task order number is assigned to ensure that there are funds available. **If funds are not available, then the Small or Large Purchase procedures, whichever is applicable, must be used.**
    - c) Once it is determined funds are available, the initiator contacts the administrating Department to get a task order number assigned.
    - d) The initiator sends the TO to the contractor for final pricing and scheduling.
    - e) Once the contractor sends back the TO to the initiator, the TO is approved by the appropriate person: Housing Management: \$0-1,000 Property Manager, \$1,000-5000 Regional Manager, \$5,000+ Department Director (or assigns). All other Departments: \$0-5,000 Project Manager, \$5,000+ Department Director (or assigns).
    - f) The TO is sent to the contractor to begin the work.
    - g) The task is performed and completed by the contractor. A “stop work” order will be issued by the initiator if it is discovered that the actual scope of work will increase the cost of the task to over \$50,000.
    - h) The task is inspected and approved by the initiator or their designee.
    - i) Contractor sends to the initiator the invoice and certified payrolls (if applicable) for review and approval.
    - j) If the certified payrolls are acceptable, the initiator forwards to Accounts Payable for payment to the contractor. If there is a problem with the payrolls, initiator (or the administrating Department) contacts the contractor to resolve problems so that payment can be made.
  - ii. Emergency:
    - a) Follow the emergency procedures per Section B18 of this Policy.
    - b) Once the work is completed, repeat steps g-j listed in Section C9(f)(i) (above).

## 9. VALUE ENGINEERING

KCHA shall encourage the use of “Value Engineering” (VE) on construction projects when the value of the awarded contract exceeds the budget of the project. The use of VE may not be used for conducting pricing negotiations in a low bid contract, but for cost savings opportunities. General contractors may be requested to provide such VE services on an ongoing basis, including sponsoring VE workshops with attendance by appropriate members of the project team. Contractors may further be requested to involve their subcontractors in VE as



appropriate to achieve maximum cost-effectiveness and progress efficiencies during the course of construction. VE opportunities may be present in the following activities; however, this list should not be considered exhaustive:

- a. purchase versus rental of equipment;
- b. resale of temporary materials;
- c. resale of surplus or recyclable consumables;
- d. value analysis of and selection of building systems;
- e. value analysis of materials and equipment;
- f. value analysis of component systems;
- g. value analysis of construction means and methods;
- h. scheduling;
- i. energy conservation;
- j. operations and maintenance;
- k. first costs;
- l. life cycle costs; and,
- m. quality, constructability, and product availability.

#### **10. GENERAL CONTRACTOR/CONSTRUCTION MANAGER (GC/CM)**

As an alternative to the traditional low bid methodology of selecting and contractor and managing a public works construction project, GC/CM may be used by KCHA under certain circumstances. Use of GC/CM is regulated by chapter 39.10 RCW and must comply with those requirements.

Prior to using GC/CM, KCHA must obtain the approval of the state's Project Review Committee for each specific project for which use of GC/CM is desired. For a GC/CM project to be approved, it must meet at least one of the criteria outlined in RCW 39.10.340, and KCHA must demonstrate to the Project Review Committee that KCHA has either internal staff or hired consultants with specific Washington state GC/CM experience.

Unlike Design-Bid-Build (traditional low bid), the contractor under the GC/CM project delivery method is selected based primarily on qualifications, experience, and approach to the project with limited bidding of the contractor's overhead and profit (percent fee) and their costs for managing the project (specified general conditions costs). The GC/CM should be selected early in the design process so the GC/CM may provide valuable preconstruction services such as value engineering, constructability reviews, project scheduling and sequencing, cost estimating, and development of a subcontracting plan. When the design documents are 90% complete, KCHA and the GC/CM negotiate the construction cost for the project (Maximum Allowable Construction Cost or MACC). After a construction contract has been signed between KCHA and the GC/CM, the GC/CM is required to publicly advertise and competitively bid all construction work and must award to the responsible bidder with the lowest responsive bid. If the total of all subcontract bid packages exceeds the negotiated MACC, the GC/CM is at risk for the budget overage. If, however, the total of all subcontract bid packages is less than the MACC, the savings are returned to KCHA. There are limitations on how much of the work the GC/CM may perform with their own forces.



Use of GC/CM can be a good project delivery method for particularly large or complex projects, but it does require additional expertise and skill to manage a GC/CM project successfully (and to obtain approval to use the method). Departments with an interest in exploring the use of GC/CM on a project should contact the Senior Management Analyst in the Department of Administrative Services for a strategy discussion that may include bringing in a consultant for training and discussion of the appropriateness of the project for GC/CM.

#### **11. PROGRESS PAYMENT SUSPENSION CRITERIA**

- a. Construction or maintenance contracts only.
- b. The criteria must be published in the bid documents and included in either the contract or general conditions.
- c. Criteria include:
  - i. Non-submittal of Certified Payrolls (general and all tier subs)
  - ii. Non-compliance of Certified Payrolls
    - a) Restitution to workers
    - b) Incomplete or inaccurate payrolls
    - c) Other required forms needed with Certified Payrolls missing
  - iii. No lien release with Application for Payment
  - iv. Insurance expires
  - v. Federal and/or State liens on general contractor
  - vi. Suspension/expiration of WA State contractor's license
  - vii. Work not accomplished
  - viii. Work not approved/accepted
  - ix. Repeated safety violations not resolved if warnings from KCHA are ignored
  - x. Incorrect Application for Payment or invoice (whichever is applicable)



## **D. PROCUREMENT PROCEDURES SPECIFIC TO FEDERALLY FUNDED ACTIVITIES**

### **1. OVERVIEW OF 2 CFR Part 200**

The principal Federal regulation that KCHA must comply with when procuring goods and services for Federally funded projects is **2 CFR Part 200.318 to .326**. This includes any goods and/or services using Moving to Work (MTW) funds.

This Federal Regulation is broken down into the following sections:

- a. .318 General Procurement standards
- b. .319 Competition
- c. .320 Methods of procurement to be followed
- d. .321 Contracting with small and minority businesses, women's business enterprises and labor surplus area firms
- e. .322 Procurement of recovered materials
- f. .323 Contract cost and price
- g. .324 Federal awarding agency or pass-through entity review
- h. .325 Bonding requirements
- i. .326 Contract provisions

### **2. CONSTRUCTION AND NON-ROUTINE MAINTENANCE PROJECTS**

- a. Wage Rates: Projects in value of \$2,000 or above will need to comply with the Davis-Bacon Act. The **Davis-Bacon Act** of 1931 is a United States federal law that establishes the requirement for paying the local prevailing wages on public works projects for laborers and mechanics. It applies to "contractors and subcontractors performing on federally funded or assisted contracts in excess of \$2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings or public works." Davis-Bacon wage rates must be included in bid solicitations. The correct type of wages must be determined before bid publication. There are 4 types of wage categories. Most KCHA projects will fall under the "residential" wage rate category, but verification of what is the appropriate category must be determined before the bid is released to the public. Other provisions of the Davis-Bacon Act include the collection, review and approval of Certified Payrolls from the contractor and all subcontractors and wage rate interviews of a represented sample of the workers (typically 10%).



- b. Contract Forms: Specific HUD Forms will need to be included in the bid documents. These forms include:
- i. HUD 5369-A Representations, Certifications, and Other Statement of Bidders (this form must be submitted with the contractor's bid)
  - ii. HUD 5370 General Conditions of the Contract for Construction Public Housing (this may be substituted with AIA form A201 or equivalent)
  - iii. HUD 5370-EZ General Contract Conditions for Small Construction Contracts (\$2,000 to \$100,000) (this may be substituted with AIA form A201 or equivalent)
- c. Contractors will need to follow the requirements of the Section 3 Program. (See Section D5 for details.)
- d. Taxes are levied via Use Tax on materials that the contractor will include in the bid price. There are no taxes levied on labor costs.
- e. Time and Material type contracts may be used only if after a determination that no other contract type is suitable and the contract includes a ceiling price that the contractor exceeds at its own risk. No change orders are allowed with this type of contract. Time and Materials type contract means a contract whose cost to KCHA is the sum of:
- i. The actual cost of the materials;
  - ii. Direct labor hours charged at fixed hourly rates that reflect wages, general and administrative expenses and profit.
- f. Contractors who participate in the development or drafting of specifications, requirements, statements of work, invitations to bid or request for proposals must be excluded from competing for such procurements, unless performing under a GC/CM contract. (See Section C10)
- g. For contracts in excess of \$150,000, KCHA must perform a cost or price analysis, including all subsequent change orders and/or contract modifications.
- h. KCHA must negotiate profit as a separate element of the contract price when there is no competitive bidding scenario (e.g., only one bid received).

### **3. REQUIRED CONTRACT PROVISIONS**

- a. For contracts over \$10,000 in value, compliance with:
- i. Section 6002 of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act,
  - ii. Equal Employment Opportunity (41 CFR Part 60)
- b. For contracts over \$100,000 in value, compliance with:
- i. Contract Work Hours and Safety Standards Act (40 U.S.C. 3701-08)
  - ii. Byrd Anti-Lobbying Amendment (31 U.S.C. 1352).
  - iii. Cope Anti-Kickback Act (40 U.S.C. 3145)
  - iv. Rights to Inventions (37 CFR Part 401)
- c. For contracts over \$150,000 in value, compliance with:
- i. Clean Air Act (42 U.S.C. 7401-7671)
  - ii. Federal Water Pollution Control Act (33 U.S.C. 1251-1387)
  - iii. Energy Policy and Conservation Act (42 U.S.C. 6201)



#### **4. PROFESSIONAL AND SOCIAL SERVICES PROJECTS**

- a. Specific HUD Forms will need to be included in the RFP/RFQ documents. These forms include:
  - i. HUD 5369-A Representations, Certifications, and Other Statement of Bidders (this form must be submitted with the firm's bid)
  - ii. HUD 5369-B Instructions to Offerors Non-Construction
  - iii. HUD 5370-C General Contract Conditions Non-Construction
- b. Consultants will need to follow the requirements of the Section 3 Program. See Chapter 5 below for details.

#### **5. SECTION 3 PROGRAM**

- a. Purpose:

Section 3 of the U.S. Housing Act of 1937 requires that Housing Authorities and Agencies receiving HUD covered assistance (funding), to the greatest extent feasible, direct that assistance to businesses that provide economic opportunities to low and very low-income persons.
- b. Application

Activities including training, employment, contracting and other economic opportunities as a result of expending development, operating and modernization assistance (See Sections 5, 9 and 14 of the U.S. Housing Act of 1937).
- c. Contracts and Subcontracts Affected:
  - i. Construction: All projects/contracts in which the funding is fully or partially comprised of covered assistance (development, operating, and modernization) including engineering architectural, consultation, installation, etc.
  - ii. Non-Construction: All projects/contracts in which the funding is fully or partially comprised of covered assistance (development, operating, and modernization) including social services, consultation, professional services, etc.
- d. Contracts and Subcontracts Not Affected:

Contracts and subcontracts exclusively for goods, supplies, equipment or materials. Also, contracts whose funding does not consist of any HUD covered assistance.
- e. Definitions:
  - i. Section 3 Resident:

A Section 3 resident is a public housing or Section 8 tenant; or, an individual who resides in the metropolitan area or non-metropolitan county in which the contract will be performed and who is a low-income or very low-income person as defined by HUD Income Limits for the prior 12 months at the time of certification.
  - ii. Section 3 Business:
    - 1. Category 1 business - 51% or more owned by residents of the housing development or developments for which the Section 3 covered assistance is expended, or whose full-time, permanent workforce includes 30 % of such residents as employees.



2. Category 2 business – 51% or more owned by residents of other housing developments or developments managed by the housing authority that is expending the Section 3 covered funding, or whose full-time, permanent workforce includes 30 % such residents as employees.

3. Category 3 business - HUD Youthbuild programs being carried out in the metropolitan area or non-metropolitan county in which the Section 3 covered funding is expended.

4. Category 4 business – a) 51% or more owned by Section 3 residents, or whose full-time, permanent workforce includes no less than 30% Section 3 residents; b) or that subcontracts in excess of 25% of the total amount of subcontracts to Category 1 or Category 2 businesses.

5. Category 5 business - that subcontracts in excess of 25% of the total amount of subcontracts to Category 3 or Category 4 businesses.

f. Procedures:

i. Small Purchases and Small Works Roster Purchases:

If the purchase is made on the basis of price only, the soliciting Department should attempt to solicit at least one quotation from a Section 3 business.

ii. The Section 3 Coordinator will monitor and periodically report results of Section 3 solicitation and award actions to HUD.

ii. Sealed Bidding:

In order for KCHA to meet or exceed its adopted goal that 3% of all non-construction contracts and 10% of construction contracts paid in whole or in part with HUD funds be awarded to Section 3 businesses, KCHA may elect, on a contract- by-contract basis, to award a competitively bid contract to a responsible bidder other than the lowest responsive bidder by using the following procedure:

Bids shall be solicited from both Section 3 and non- Section 3 business concerns. KCHA may award the contract to the qualified Section 3 business concern with the highest priority ranking and with the lowest responsive bid if:

1. the specific project or KCHA as an agency is otherwise not expected to meet Section 3 utilization goals; and,
2. the bid is below the maximum estimated cost established in KCHA's budget for the specific project for which bids are being taken; and,
3. the sources of funds for the project are such that there are no conflicts between this procedure and applicable state law; and,
4. the bid is not more than "X" higher than the total bid price of the lowest responsive bid from a responsible, bidder. "X" is determined as follows:



<b>When the lowest responsive bid is less than \$100,000.....</b>	<b>10% of that bid</b>
<b>When the lowest responsive bid is:</b>	
<b>\$100,000, but less than \$200,000.....</b>	<b>9%</b>
<b>At least \$200,000, but less than \$300,000.....</b>	<b>8%</b>
<b>At least \$300,000, but less than \$400,000.....</b>	<b>7%</b>
<b>At least \$400,000, but less than \$500,000.....</b>	<b>6%</b>
<b>At least \$500,000, but less than \$1 million.....</b>	<b>5%</b>
<b>At least \$1 million, but less than \$2 million.....</b>	<b>4%</b>
<b>At least \$2 million, but less than \$4 million.....</b>	<b>3%</b>
<b>At least \$4 million, but less than \$7 million.....</b>	<b>2%</b>
<b>\$7 million or more.....</b>	<b>1½% of the lowest responsive bid, with no dollar limit</b>

If no responsive bid by a Section 3 business concern meets the requirements above, the contract shall be awarded to a responsible bidder with the lowest responsive bid.

g. RFP/RFOs:

Applicable RFP/RFOs must include an evaluation criteria factor that provides a percentage of the total points available for award to Section 3 businesses, starting with Category 1, followed in descending order with Category 2, et. al. The rating system selected must provide 15-25% of the total points available to be set aside for award to Section 3 businesses.

h. Section 3 Work Plan:

- i. For contracts under \$500,000, the contractor (or consultant), to the greatest extent feasible, must have 30% of new hires be Section 3 individuals.
- ii. For contracts over \$500,000:
  1. The contractor (or consultant) must submit a Section 3 work plan and have that plan approved by KCHA before contract execution or the Notice to Proceed, whichever is applicable.
  2. The criteria for KCHA evaluation of the work plan should include:
    - a. The clarity and detail of the proposed work plan.
    - b. The feasibility of the work plan.
    - c. The proposed numerical goals for employment and subcontracting.
    - d. The proposed strategy to obtain compliance by proposed subcontractors with training, employment and subcontracting goals.



- e. The contractor's (or consultant's) past and current efforts to provide training and employment opportunities to Section 3 residents and/or subcontracting opportunities to businesses that would be considered Section 3 businesses.
- ii. For contracts valued over \$5,000,000, the hiring goal shall be, to the greatest extent feasible, 100% of all new hires be Section 3 qualified. Greatest extent feasible strategies may include:
  - 1. Working with the Section 3 Coordinator to meet hiring and subcontracting goals;
  - 2. Working with employment service partners; and,
  - 3. Community outreach and advertising.
- i. All Section 3 covered contracts shall include the following clause (referred to as the Section 3 clause):
  - i. The work to be performed under this contract is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (Section 3). The purpose of Section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by Section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.
  - ii. The parties to this contract agree to comply with HUD's regulations in 24 CFR part 135, which implement Section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.
  - iii. The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this Section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the Section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.
  - iv. The contractor agrees to include this Section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this Section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR part 135.
  - v. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135 require



employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135.

vi. Noncompliance with HUD's regulations in 24 CFR part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

j. Certification:

- i. Businesses shall self-certify as to their qualification for Section 3 preference using the Section 3 Business Certification Form enclosed in the bid documents. Businesses may also request Certification outside the bidding process by contacting the Section 3 Coordinator and requesting the Business Certification Form. Businesses certified as Section 3 under categories 1, 2, 3, or 4(a) shall keep that designation for 3 calendar years after certification unless the business is sold, goes out of business or merges with another company.
- ii. Once a business self-declares Section 3 status, then that business may be requested to provide Section 3 Individual Certification Forms. Thirty percent (30%) of the full time, permanent employees of that business must be Section 3 qualified and submit a completed and signed form. KCHA reserves the right to ask for additional certification documentation, if necessary, to complete the certification process.
- iii. In an RFP or RFQ solicitation, points are assigned for Section 3 preference. If the apparent winner's points include Section 3 preference and that company is not on KCHA's Section 3 business list, then the soliciting Department, prior to award of contract, must request that the apparent winner be certified through KCHA's Section 3 business certification process.. Failure to produce this certification shall result in reduction or elimination of Section 3 points and subsequent reevaluation of the bidder's score.

k. KCHA Goals:

Goals #1-3 are the minimums required by HUD regulations.

- i. 30% of all new hires working on KCHA projects be Section 3 individuals;
- ii. 10% of construction contracts be awarded to Section 3 businesses;
- iii. 3% of non-construction contracts be awarded to Section 3 businesses;

Other goals may be established on a case-by-case basis, which may include adjusting the hiring and subcontracting levels.



## **E. PROCUREMENT METHODS SPECIFIC TO NON-FEDERALLY FUNDED ACTIVITIES**

### **1. CONSTRUCTION AND NON-ROUTINE MAINTENANCE PROJECTS**

- a. It is expected that KCHA will follow RCW 39.04, the Washington State Public Works law (refer to the Glossary for a definition of “public work”), where applicable. All public works, including maintenance when performed by contract shall comply with chapter 39.12 RCW (Prevailing Wage Law-see b below).
- b. To determine what the prevailing wages are for any specific project, the wage rates are found on the L&I website (RCW 39.12.015). The new rates are published on the first business day of every February and August and take effect 30 days after publication. The rates are classified by trade and county.
- c. All bid specifications and contracts for public work and for public building service maintenance contracts must include certain provisions and information. They must state that prevailing wage rates shall be paid, and they must include a list of the applicable prevailing wage rates. These requirements also apply to certain agreements to rent, lease, or purchase a facility from a private owner where the agreement calls for construction or alteration work to be performed.
- d. The prevailing wage rates in effect on the bid due date are the prevailing wage rates that apply to that project, no matter how long it lasts, unless the contract is awarded more than six months after the bids were due. For those contracts where award was delayed more than six months, the prevailing wage rates in effect on the date of the award shall apply for the duration of the contract.
- e. KCHA’s bid specifications and contracts for public work must contain a provision stating the required prevailing rates of pay and stipulate that workers shall receive no less than the prevailing rate of wage. Those bid and contract documents must also contain:
  - i. a list of the applicable prevailing wage rates, or
  - ii. the URL to the Department of Labor & Industries prevailing wage rates pages, and
    - a) Identify the exact wage publication date to use (e.g., “Use October 14, 2010 rates.”);
    - b) State the county in which the public works project is located;
    - c) Specify that a copy of the applicable wage rates is available for viewing in your office; and,
    - d) Explain that your agency will mail a hard copy of the applicable wage rates upon request.

Whether you use method i or ii above, be sure to retain a printed version of the rates as part of your records.

- f. The contractor is responsible for paying all applicable taxes.



## **2. TAX CREDIT PROPERTIES AND PARTNERSHIPS**

- a. KCHA has properties that are identified as “Tax Credit”. Tax Credit properties are defined as any property owned by a private individual, partnership, or corporation in which KCHA has very limited interest and those properties for which KCHA serves as a General Partner.
- b. Properties in this category will satisfy procurement objectives of this Policy by compliance with the clauses within the contracts for property management services which outline responsibilities and accountabilities for meeting established procurement objectives as determined by KCHA.
- c. This Policy outlines procedures and documentation which are appropriate in any well managed procurement system. It is expected that this Policy will serve as a model to be used by KCHA tax credit property procurements.
- d. Tax Credit properties are expected to pay all applicable taxes for goods and services.



## **F. DEPARTMENT SPECIFIC PROCEDURES AND METHODS**

### **1. ADMINISTRATIVE SERVICES DEPARTMENT**

- a. All vehicle purchases are made by this Department, following the KCHA Vehicle Replacement/Life Cycle and Purchase Guidelines.
- b. All Purchase Orders (see Section G3 for details) are paid by this Department through established work flows within the approved accounting software.
- c. All invoices are paid by this Department through established work flows within the approved accounting software.
- d. All internally generated check requests are paid by this Department through established work flows within the approved accounting software.

### **2. EXECUTIVE DEPARTMENT**

- a. All emergency procurements (refer to Section B18 for the definition of “emergency”) valued over \$10,000, must have approval of the Executive Dept.
- b. All change orders, regardless of the amount of the individual change order, valued over 10% of the cumulative contract value must have approval of the Executive Dept.

### **3. HOME REPAIR AND WEATHERIZATION DEPARTMENT**

All procurement procedures shall comply with those stated in this Policy with the following exceptions:

#### Home Repair Projects funded with Community Development Block Grant Funds:

- a. The homeowner may solicit proposals for work on their home from the contractor of their choice. Such contractors must provide documentation necessary for them to be qualified to perform work that meets KCHA standards.
- b. Where the homeowner chooses to coordinate proposal solicitations and/or perform their own work, they shall present to KCHA procurement documentation consistent with KCHA Very Small Purchases or Small Purchases.
- c. The homeowner chooses the winning proposal, not necessarily based on lowest price. The Department shall provide guidance for making this choice, encouraging the homeowner to approve cost effective proposals. Proposals deemed by KCHA to be above reasonable market rates shall not receive Department approval.
- d. Upon review and acceptance of procurement documentation, the Department shall approve proposals requested by the homeowner.

### **4. HOMELESS HOUSING DEPARTMENT**

All procurement procedures shall comply with those stated in this Policy with the following exceptions:



Project based and other rental assistance pilot-like programs may procure without formal solicitation a housing provider to administer long term programs (long term defined as 6+ years) once the initial pilot project is complete under the following conditions:

- a. The provider is named in a grant application, and/or
- b. The provider delivers a program specific to a population and to a geographic area, and/or
- c. The provider has leased KCHA property and makes real improvements to that property with their own funding, and/or
- d. The provider is awarded initial or renewed funding for the project through another competitive procurement process.

#### **5. INFORMATION TECHNOLOGY DEPARTMENT**

- a. All computer hardware, software, cabling and associated maintenance for information technology applications shall be purchased by this Department.
- b. All KCHA owned phone hardware and software, both landline and cellular, shall be purchased by this Department. Exceptions to this requirement may be granted on a case-by-case basis.

#### **6. RESIDENT SERVICES DEPARTMENT**

All procurement procedures shall comply with those stated in this Policy with the following exceptions:

The following four situations apply **only to social service contracts when doing a sole source solicitation**:

- a. The provider is named in a grant application, and/or
- b. The provider delivers a program unique to a population and area, and/or
- c. The provider has leased KCHA property and makes real improvements to that property with their own funding.
- d. Sole source procurement may be used to renew with the same service provider **unless** one or more the following situations are present:
  - i. The provider is no longer able to provide services
  - ii. The provider has failed to meet material and substantial contractual obligations (unless there was an emergency situation which prevented from them meeting those obligations). This must be determined no later than 90 days before the end of the contract;
  - iii. A new service provider is able to serve the geographic area; and,
  - iv. The provider has failed to meet its lease obligations.



## **G. SPECIALIZED PROCEDURES AND METHODS**

### **1. ARCHITECTURAL AND ENGINEERING SERVICES (A&E)**

Per RCW 39.80, A&E professionals covered are defined as Architects, Engineers, Land Surveyors and Landscape Architects who are registered with the state to practice their respective professions and are performing services within the scope of that license.

Solicitation of A&E firms must be done through the Request for Qualifications (RFQ) process. See Section B20 for details.

THE RFQ may use geographic location as an evaluation criteria provided the application of the criteria does not overly restrict the number of firms available to submit proposals.

- a. A&E work may be conducted through a task order contract or a standard A&E contract. Task Order Contracts with A&E firms, which have undetermined projects as their scope of work, require the issuance of task orders for specific projects which refer back to the terms and conditions of the underlying contract. Individual task orders may not exceed \$100,000, including contingency.
- b. Verify that sufficient contract limits exist on underlying task order contract for proposed project.
- c. Solicit a proposal for a specific scope of work from the A&E firm.
- d. Review and approve the proposal.
- e. With Department Director approval, issue a "Not to Exceed" task order with the scope of work's cost plus a 10% contingency.
- f. Department Directors may approve task orders between \$25,000 and \$100,000 without Executive Director (or designee) approval.
- g. Log each task order on the appropriate task order log. If applicable, inform the issuing Department of the task order amount authorized and spent at sign off.
- h. No change orders are allowed with the task order. Instead issue a new task order with a revised scope of work. If applicable, inform the issuing Department.
- i. Once the work is completed, have the task order "signed off" and approved by the Project Manager.

### **2. PURCHASES UNDER \$50**

Purchases made from \$.01 to \$50.00 can be paid with Petty Cash, a P-card, a purchase order, or by submitting the invoice to purchasing. If the invoice is submitted to purchasing (by either the vendor or KCHA employee), the invoice must include identification of the KCHA property or Department the purchase was made for and the name of the KCHA employee making the purchase.



### **3. PURCHASE ORDERS**

Purchase orders (PO) should be issued when the value of purchasing goods and/or services exceeds \$50. POs are to be generated using KCHA's accounting software system. POs may also be issued for services on a case by case basis. Invoices received from a contracted vendor may also be paid using the PO system. After a PO is entered into the accounting software and the PO is approved, the user will receive an email notice that the PO is approved. At that point, the order may be placed with the vendor with the PO number. When the order is received or the service is complete, the receiving must be entered into the software. Invoices will not be paid until the receiving is entered.

#### **a. Procedures:**

- ii. All original invoices (except for utility invoices) need to be routed to Purchasing at the Central Office for payment. Invoices will need the PO number assigned from the accounting software system. The PO number must be clearly visible on the first page of the invoice.
- iii. Do not send Purchasing copies of invoices.
- iv. Do not send packing slips for orders placed with a proper PO number.
- v. Invoices do not need general ledger coding placed on them. The GL coding is inputted when the PO is generated in KCHA's software accounting system.
- vi. Invoices will be processed through established workflows, unless there is the 2.5 percent (2.5%) variance, then a task will be sent to the creator of the PO for approval or rejection for payment of the invoice.
- vii. The software system will generate a "dispatch" number when goods are received for the PO. Disregard this number.

### **4. LONG TERM AGREEMENTS**

- a. Defined as a contract, agreement, memorandum of understanding, etc. that has a duration that is longer than six years or has no defined ending date.
- b. Solicitations for long term agreements must include language which defines the duration of the agreement.
- c. Agreements that have costs or fees must include applicable escalation language to determine future costs.
- d. Allowable long term agreements include:
  - i. Property management services
  - ii. Banking services
  - iii. Tax/bond counsel
  - iv. Trustee services
  - v. Telecommunications services
  - vi. Independent Audit Services
  - vii. Memorandums of Understanding (MOU) between KCHA and other governments



- e. Other types of long term agreements (or existing agreements referenced above that need long term extensions) must have the approval of the Department Director and the Executive Director (or designee). To get approval, one or more of these must be justified:
  - i. Substantial cost to KCHA in re-letting the agreement to a different vendor in the future;
  - ii. Future disruption of service and loss of revenue as a result of a change to a different vendor;
  - iii. A performance analysis documenting successful contract performance and market competitiveness for costs and/or services; and,
  - iv. General circumstances of why it is in the best interest of KCHA to enter into this type of agreement.

## **5. ENVIRONMENTALLY PREFERRED PURCHASING**

- a. All KCHA personnel will specify recycled content and environmentally preferable products unless such products do not perform satisfactorily and/or are unreasonably expensive. The priority for purchasing recycled content products shall be as follows:
  - i. The highest percentage of recycled content of post-consumer recovered material available in the marketplace; and
  - ii. The highest percentage of “pre-consumer recovered material,” available in the marketplace.
- b. KCHA shall solicit the use of recycled content and other environmentally preferred products in its procurement documents.
- c. All KCHA Departments shall practice waste prevention and recycling.



# GLOSSARY

**Acceptance** - The act of an authorized representative of KCHA acknowledging that the supplies or services are in conformity with the contract requirements.

**Amendment** - Written revision made to a contract after it is executed. (Also called a contract modification or zero-cost change order.)

**Arbitration** - A process of dispute resolution in which a neutral third party (arbitrator) renders a decision after a hearing at which both parties have an opportunity to be heard. When arbitration is voluntary, the disputing parties select the arbitrator who has the power to render a binding.

**Architect and Engineer (A&E)** - All professional services associated with the research, design and construction of facilities. By Statute (RCW 39.80) professionals covered are defined as Architects, Engineers, Land Surveyors and Landscape Architects who are registered with the State to practice their respective professions and are performing services within the scope of that license.

**Assignee (Assigns)** - A person to whom an assignment is made. (Also called grantee.)

**Assignment** - The act of transferring to another all or part of one's property, interest, or rights.

**Award of Contract** - The presentation of a purchase agreement or contract to a bidder; the acceptance of a bid or proposal.

**Best and Final Offer** - The last offer from a proposer clarifying the price and condition of doing the work; normally used in the final stage of the RFP/RFQ process.

**Bid** - A quotation submitted by a bidder in response to a solicitation. Also, in the sealed bidding method of procurement (IFB), the offer submitted by a bidder.

**Bid Analysis** - A bid analysis serves to assist KCHA in preparing for negotiations with the contractor to obtain a reasonable price. The extent of the analysis depends on the dollar value and complexity of the procurement. For non-routine small purchases and large purchases, a bid analysis is a written evaluation performed by KCHA: (1) obtaining a cost breakdown from the bidder(s) for all items included in the scope of work; (2) analyzing the labor, material, indirect costs, and profit proposed by the bidder(s); and (3) identifying the areas of questioned costs, unallowable costs, or items which appear to be inflated or unnecessary. Bid analysis is also performed when competition is not obtained, for contract modifications, a change order has been issued, or the procurement of professional services. For very small purchases and routine small purchases, a bid analysis may be as simple as comparing the independent cost estimate with the competitive prices received, to ensure that the contract price will be reasonable.

**Bid Bond/Guarantee/Security** - An insurance agreement in which a third party agrees to be liable to pay a certain amount of money in the event that a specific bidder, if his bid is accepted, fails to sign the



contract as a bid. Bid bonds are required on all construction projects or where on-site labor is required of over \$250,000 to help ensure that a bid has been made in good faith and that the bidder will enter into a contract if his or her bid is accepted. Each bid must be accompanied by a bid proposal deposit in the form of a cashier's check, postal money order, or surety bond secured by a surety company acceptable by KCHA for a sum of not less than five percent of the bid amount; personal checks or cash are not acceptable.

**Bid Documents** - The group of documents distributed by KCHA to each bidder when soliciting bids. Also called bid packet.

**Bid Specification** - Document in the bid packet that clearly explains all KCHA's requirements for the project.

**Bidder's List** - List of prospective contractors. (Also called Proposer's List, Source List or Mailing List.)

**Bidder Roster** - A list of potential bidders who obtain bid documents maintained for purposes of contacting these bidders if there is a bid addendum(s) or if additional information is distributed.

**Blanket Contracts** - Competitively negotiated contracts with vendors for materials, goods or services which guarantees price per unit. A purchase requisition is used to purchase materials, goods or services based on these blanket contracts. (E.g.: carpet, glass, cabinets.)

**Board of Commissioners** - Locally appointed citizens who serve as the Executive Directors' supervisor and policy makers of KCHA for a specified term without financial compensation.

**CAO** - Assistant Executive Director of Administration.

**Certificate of Compliance** - A supplier's certification that the supplies or services in question meet certain specified requirements.

**Certificate of Insurance with Endorsement** - A document provided by insurance agents and brokers as proof of insurance that KCHA is listed as an additional insured which serves as evidence that KCHA has coverage under the contractor's policy of insurance. KCHA must receive and review a copy of the contractor's policy or an endorsement amending the coverage to ensure the actual required coverage is in effect before work begins pursuant to the contract.

**Certificate of Non-Collusion** - A statement signed by a bidder and submitted with its bid to affirm that its bid is made freely without consultation with any other bidder.

**Change Order** - A written agreement, signed by both parties to the contract, formalizing and defining a change in the contract requirements within the scope of the original contract. The contract documents must state that KCHA may at any time make minor changes within the scope of the project (e.g. modify the drawings, designs, specifications, method of shipping or packing, place of inspection, delivery) without invalidating the agreement. If such changes increase or decrease the amount due the contractor, or the time of performance of the work, an equitable adjustment should be authorized by



change order. The contractor must make only those changes ordered by the executed change order reviewed and approved by the Executive Director via the SMA. Each change order should be numbered and dated; describe the change to be made; indicate revision, if any, to date of completion; and list original and revised contract costs with the percentage of the change. Change orders should be made with great caution, and excessive change orders without new bids are sometimes challenged as evasions of the bid law.

**Code Requirements** - The federal, state and local law, ordinance, or direction necessitating specific action, method of performance or quality/quantity of an item installed.

**Collusion** - A secret agreement or cooperation between two or more persons to accomplish a fraudulent, deceitful or unlawful purpose.

**Collusive Bidding** - The response to bid invitations by two or more vendors who have secretly agreed to circumvent laws and rules regarding independent and competitive bidding.

**Commercial General Liability (CGL) Insurance** - Covers an organization from exposure that can result in lawsuits alleging negligence that causes injury or property damage as a result of the organization's premises, products, or completed operations.

**Competitive Range** - In a Request for Proposals (RFP) solicitation, those proposals, which, after evaluation by KCHA, have a reasonable chance of receiving the award, both from a technical and cost standpoint.

**Comprehensive Grant Program (CGP "Comp Grant")** - Provides an annual grant to be used for KCHA modernization efforts (both physical and management improvements) in accordance with an annual budget plan, to benefit the Public Housing Program only.

**Comprehensive Improvement Assistance Program (CIAP)** - Use of HUD Modernization funds for substantive rehabilitation of a public housing unit, public spaces community facilities, grounds, etc. CIAP applies to small Housing Authorities, e.g. Sedro Wooley.

**Conflict of Interest** - A situation wherein an individual as part of their duties must make a decision or take action that will affect their personal interests. No employee shall participate directly or indirectly in a procurement when they knows there is a conflict of interest.

**Consideration** - Acts, promises, or things of value exchanged by two parties and serving as the basis for a contract between them.

**Construction** - All construction (excluding ordinary maintenance), e.g. demolition, remodeling, renovation, road construction, building construction, utilities construction and for goods when on-site labor is more than 20% of the total contract.

**Consultant/Expert** - A person who is exceptionally qualified, by education and/or experience, in a particular field to perform a specialized service.



**Contract** - A deliberate verbal or written agreement between two or more competent persons to perform or not perform a specific act or acts. Usually one party agrees to provide goods or services while the other party agrees to provide compensation for those goods or services.

**Contract Administration** - The monitoring of the contractor's performance in order to assure compliance with performance requirements and contract terms.

**Contract Close-out** - The acceptance of all work and the completion of all documentation necessary to finish a contract and release KCHA and the contractor from further obligations under the contract.

**Contract Modification or Amendment** - A written agreement, signed by both parties to the contract, providing for a modification of the contract terms not within the scope of the original contract. It introduces substantial change or cancels details not anticipated by the original contract (e.g. specifications, delivery point, date of delivery, contract period, price, quantity) but leaves the general purpose and effect of the contract intact.

**Contracting Officer** - A representative appointed by the Executive Director in writing, stating clearly the limitations on the appointee's procurement authority. Contracting Officers may enter into, administer or terminate procurement contracts and make related determinations and findings.

**Contractor** - The person or other entity entering into a contract with KCHA to perform services, work or furnish materials in accordance with a contract.

**Contractor Evaluation** – The person (project manager or other contracting officer) authorized to judge the performance/outcome of the contract awarded through IFB, RFP or RFQ process.

**Cooperative Purchasing Agreements** - KCHA has established cooperative purchasing relationships with other governmental entities, such as the State of Washington and King County Director's Association. These agreements allow KCHA to purchase competitively negotiated goods, services and materials at pre-established prices. Thus, the purchase of items under cooperative purchasing contracts may be made without soliciting other vendors.

**Cost Estimate** - Before starting the procurement process, KCHA should make cost estimate of what it expects the required item(s) will cost. For small purchases of routine goods, this process may be as simple as examining the price paid in the most recent contract for the same or similar item(s) and factoring in inflation or changed market conditions. For larger contracts, this process may be more complex, involving a written analysis of all items included in the scope of the work, tabulated under appropriate cost headings (direct costs, labor, overhead, and profit).

**Cost-Plus Contract** - A contract providing the contractor's profit is fixed at a specific percentage of the actual cost of labor and materials.

**Cost-Reimbursement Contract** - Contract in which the buyer and seller agree on an estimate of contract costs. The buyer agrees to reimburse the seller for reasonable and allowable costs necessary to complete the work.



**Cure Notice** - A document the Contracting Officer sends to notify the contractor that the contract may be terminated by reason of default if the condition endangering performance of the contract is not corrected in a specified number of days.

**Davis-Bacon Act** - Requires all laborers and mechanics employed in certain programs of federal financial assistance involving construction activities be paid wage rates no less than those prevailing on similar construction in the locality, as determined by the Secretary of Labor.

**Default** - The omission or failure to perform a legal or contractual duty; to observe a promise or discharge an obligation; or to perform an agreement.

**Designee** - Anyone given procurement authority by a Department Directors with the approval of the Executive Director. Such authority must be in writing and include monetary limits.

**Direct Cost** - Out-of-pocket expenditures made in conjunction with a project, e.g. for labor, material, land, fees, as distinguished from overhead, administration, profit, etc.

**Emergency** - Exists when (1) the situation seriously threatens the public health, welfare, safety or endangers property, or otherwise would cause serious injury to KCHA as may arise by reason of flood, earthquake, epidemic, riot, equipment failure or similar event; or (2) there is no time for a public procurement process. In such cases, there must be an immediate and serious need for supplies, services, or construction such that the need cannot be met through any other procurement methods, and the emergency procurement shall be limited to those supplies, services, or construction necessary to meet the emergency. The Executive Director should approve any situation being declared an "emergency."

**Evaluation Criteria** - Weighted standards in a RFP/RFQ, relating to management capability, technical capability and approach in meeting the scope of work, performance requirements, price, and other important factors that are used for evaluating proposals from bidders/offerors.

**Excusable Time Delay** - A contractor's failure to perform for reasons beyond its control and without fault or negligence.

**Federal (HUD) Funding** - The source of the procurement funding is the federal government, including CGP (Comp Grant), CIAP, Performance Funding System (PFS), HOME/HOF, or any federal grant.

**Firm Fixed-Price Contract** - Contract type that requires the delivery of a product or service at a specified price, fixed at the time of contract award and not subject to any adjustment; the preferred type of contract.

**Goods/Supplies/Equipment/Materials (Routine Goods)** - Items such as maintenance, repair, operation or office supplies. Items may be purchased through negotiated blanket contracts or cooperative purchasing/government contracts offering fixed unit prices for an extended period of time. Goods, supplies, equipment and materials may be ordered through the Purchasing Department.



**Hold Harmless and Indemnification Clause** - An agreement by which one party assumes the liability of another and agrees to defend them in the event of a claim. It is the legal instrument of risk transfer, while the insurance is the financial guarantee.

**Indefinite Quantity Contract** - Contract used for procurements in which the exact number of deliverable items is not known at the time of contracting. The contract provides for a minimum and maximum amount of goods/services which may be ordered under the contract.

**Independent Contractor** - A person who contracts with KCHA to render service but who is not controlled by KCHA, nor subject to KCHA's right of control with respect to their physical conduct in the performance of the service.

**Informal Solicitation** - For: (1) the purchase, lease or rental of goods, supplies, equipment and materials of \$150,000 and under; (2) professional or other contracted services including ordinary maintenance of \$150,000 and under; (3) contracted social services of \$150,000 and under; and (4) construction projects (Public Works/Small Works Roster) or procurements where on-site labor is required excluding ordinary maintenance of \$35,000 and under, solicitations may be obtained from contractors/vendors in writing, by telephone or FAX. A total of three (five for construction projects) potential contractors must be contacted with one WMBE or Section 3, if possible. Use the Purchase Documentation Form in the Appendix for file documentation.

**Initiating Department** - The Department that initiates the procurement. Any employee or Department may initiate a purchase.

**Inspection** - The examination and testing of supplies and services to determine whether they conform to contract requirements.

**Integration** - A contract where the parties adopt the writing or writings as the final and complete expression of the agreement.

**Internal Controls** - Safeguards which ensure that contracting will be carried out in conformity with applicable federal, state and local regulations and KCHA policy.

**Invitation for Bids (IFB or Sealed Bidding)** - A solicitation for responsible bidders by advertisement ("public notice") for goods or services under the sealed bidding method of competitive procurement. IFB is utilized when KCHA knows what goods and/or services it wants to procure, what results/performance it wants done, and/or the standards for how it wants it done. The bid documents must clearly explain all KCHA's requirements. IFB's are used primarily for: (1) the purchase, lease or rental of goods, supplies, equipment and materials over \$100,000; and (2) construction projects (Public Works) or procurements where on-site labor is required excluding ordinary maintenance over \$40,000.

**KCHA-Owned Properties** - Any property wholly owned by KCHA. They may be managed directly by KCHA or by property management firms under the direction of KCHA.



**Labor Hour Contract** - Contract which provides for the procurement of property or services on the basis of direct labor hours at specified, fixed hourly rates (which include direct and indirect labor, overhead, and profit).

**Labor Surplus Area Business** - A business which, together with its immediate subcontractors, will incur more than 50% of the cost of performing the contract in an area of concentrated unemployment or underemployment, as defined by the U.S. Department of Labor in 20 CFR 654, Subpart A, and in lists of labor surplus areas published by the Employment and Training Administration.

**Lack of Competition** - Less than three responsive bidders to a solicitation. Award will not be made unless a bid or criteria analysis in the form of a memorandum to file verifies the reasonableness of the price; reasons why re-solicitation would not bring about a different result; and reasons why the solicitation process was not flawed.

**Late Bids** - No bid will be accepted after the time and date specified in the bid documents, unless for reasons beyond the bidder's control, e.g. inclement weather, courier error, third party error, KCHA fax machine out of order (for solicitations that accept faxed bids only). Acceptance of a late bid must receive written approval from the soliciting Department's Director and the Executive Director.

**Level-of-Effort Contract** - Contract (usually cost-reimbursement type) which specifies the number and type of person-hours which the contractor will apply in pursuing the project.

**Long-Term Agreement** - Occurs when a soliciting Department initially awards a competitively bid contract and then subsequently renews the contract without competitively bidding. The Department Director and Executive Director must approve renewal of such contracts. Examples of long-term agreements include: building management, accounting services, banking services, outside attorney services, tax/bond counsel, trustee services and laundry facility services.

**Lowest Responsible Bidder** - In determining lowest responsible bidder, in addition to price, the following elements shall be given consideration: (1) have adequate financial resources to perform the contract or the ability to obtain them; (2) have a satisfactory performance record; (3) have a satisfactory record of integrity and business ethics; (4) have a satisfactory record of compliance with public policy (e.g. Equal Employment Opportunity); (5) not have been suspended, debarred or otherwise determined to be ineligible for award of contracts by the Department of Housing and Urban Development or any other agency of the U.S. Government (Current lists of ineligible contractors are available for inspection at KCHA/HUD); (6) such other information as may be secured having a bearing on the decision to award the contract, including, but not limited to, life cycle cost (i.e., the total cost of an item over its useful life), quality of materials proposed, where warranted; and (7) the bid is not unbalanced in that the bidder's bid is so much lower than other bids received that it is doubtful the bidder will be able to deliver the requested scope of work and meet wage requirements, if any (see "unbalanced bid" for more information).



**Maintenance** - Keeping existing assets or facilities in good usable, operational condition.

**Mediation** - Private, informal dispute resolution process in which a neutral third person, the mediator, helps disputing parties to reach an agreement. The mediator has no power to impose a decision on the parties.

**Merger Clause** - A provision in a contract to the effect that the written terms may not be varied by prior or oral agreements because all such agreements have been merged into the written document.

**Minority-Owned Business** - A business which is at least 51% owned by one or more minority group members; or, in the case of a publicly-owned business, one in which at least 51% of its voting stock is owned by one or more minority group members, and whose management and daily business operations are controlled by one or more such individuals. Minority group members include, but are not limited to African Americans, Hispanic Americans, Native Americans, Asian Pacific Americans, Asian Indian Americans and Hasidic Jewish Americans.

**Negotiation** - For RFP or RFQ solicitations, a discussion between the selection committee and bidders in the acceptable competitive range regarding their proposals and services being offered.

**Non-Competitive Procurement** - Methods of procurement in which KCHA solicits bids from a limited number of sources, such as: sole source; emergency; government (cooperative) purchasing agreements, special market conditions, long-term contracts; or lack of competition.

**Notice of Award** - An official notice of award sent to the successful bidder. The notice should state (if applicable) the time period given the bidder to execute its contract, fulfill performance and payment bond requirements, and submit insurance certificates with endorsements and any other requirements specified in the contract documents.

**Notice of Completion** - KCHA must complete and submit to the Department of Revenue notification that the specified public works project has been completed. Before final settlement can be made on any public works project, the prime contractor and each and every subcontractor must submit an "Affidavit of Wages Paid" to KCHA. No payments are to be made from retained funds until receipt of the Department's certificate that the contractor and subcontractors have paid all required taxes, and that no claims from material suppliers, laborers, or subcontractors exist.

**Notice to Proceed** - After review and acceptance of the bonding and insurance provided by the successful bidder and proper execution of the contract, an official written notice to proceed shall be issued to establish starting and completion dates. The contractor shall be directed not to begin work on the project until receipt of this official notice.

**Ordinary Maintenance** - Work that is performed on a regularly scheduled basis (e.g. daily, weekly, monthly, seasonally, semiannually, but not less frequently than once per year), to service, check, or replace items that are not broken; or (2) work that is not regularly scheduled but is required to maintain the asset so that repair does not become necessary. Maintenance is keeping existing facilities in good usable, operational condition. Work performed to maintain the operations of a project which does not



exceed the Very Small Purchases dollar limit.

**Partnerships** - Ownership entities for which KCHA acts as general partner in association with private sector limited partnerships. Also called tax credit partnerships.

**Payment Bond** - Assures payment as required by law of all persons supplying labor and material in the execution of the work provided for in the contract. A 100% payment bond is required for construction contracts or contracts where on-site labor is performed of over \$100,000 (percentage amount may be reduced at the discretion of the Executive Director or assignee). Bonds for federally funded projects must be obtained from guarantee or surety companies acceptable to the U.S. Government as listed in U.S. Treasury Circular Number 570. Bonds for other projects shall be secured by a surety company authorized to do business in the state of Washington with ability to secure the value of the contract.

**Performance Bond** - Secures performance and fulfillment of the contractor's obligation. A 100% performance bond is required for construction contracts or contracts where on-site labor is performed of over \$100,000 (percentage amount may be reduced at the discretion of the Executive Director or assignee). Bonds for federally funded projects must be obtained from guarantee or surety companies acceptable to the U.S. Government as listed in U.S. Treasury Circular Number 570. Bonds for other projects shall be secured by a surety company authorized to do business in the state of Washington with ability to secure the value of the contract.

**Petty Cash** - Very small purchases of \$50.00 and under for goods, supplies, materials and services may be processed through the use of a petty cash account. See Petty Cash Purchases Section for procedures.

**Prevailing Wages** - The rate of hourly wage, usual benefits, and overtime paid in the largest city in county (where the physical work is being performed) to the majority of workers, laborers, or mechanics, in the same trade or occupation. Prevailing wages are established by the Department of Labor and Industries, for each trade and occupation employed in the performance of public work. They are established separately for each county, and are reflective of local wage conditions. [RCW 39.12.010 and 015]. There is no minimum dollar amount for prevailing wage. [RCW 39.12.020].

**Prime Contractor** - Any person(s) or business holding a contract with KCHA will be referred to as the prime contractor.

**Privately-Owned Properties** - Any property owned by a private individual, partnership or corporation in which KCHA has no interest.

**Procurement** - Contracts and modifications (including change orders) for construction or services, as well as purchase, lease, or rental of goods, materials, supplies and equipment.

**Professional (Consultant) Service** - Any individual, firm, group, association, corporation, partnership or joint venture that provides professional services that includes architects, engineers, attorneys and accountants. Request for Proposals (RFP) is the most often utilized methods of procurement for professional (consultant) contracts.



**Professional Liability Insurance (Errors and Omissions)** - Protects against losses that occur when a professional fails to practice his or her art to the standards usual and customary to that profession. Professional liability insurance required of professionals (e.g. architects, engineers, attorneys, accountants, physicians) insures the work meets the requirements of the profession and the contract documents.

**Proposal** - For RFPs or RFQs, the offer or bid submitted by a potential contractor.

**Public Notice** - For all large purchases, publication by advertising in a newspaper of general circulation, a newspaper of local circulation in KCHA's area, or industry media (trade newsletters, commercial reports, etc.) any of which should reach a substantial portion of the local population. It is recommended that the ad run once; and if appropriate, additionally publicize in a minority targeted newspaper; and that the advertisements are published at least two weeks before bid opening. Notices will state the place, date, and time of where bid documents may be obtained or reviewed and cost, if any; the place, date, and time of the pre-bid conference, if any; the place, date, and time of the bid opening or proposal due date; the solicitation number or title; a point of contact for questions or requests for solicitations; and a brief description of the needed item(s).

**Public Works** - All work, construction, alteration, repair or improvement other than ordinary maintenance, executed at the cost of the state or of any local public agency, or which is by law a lien or charge on any property therein. This includes, but is not limited to, demolition, remodeling, renovation, road construction, building construction, ferry construction, and utilities construction. There is no minimum dollar amount for public works or prevailing wages. [RCW 39.12.020]. See Ordinary Maintenance for definition.

**Public Works Procurement** - Includes all purchases for public works projects including labor and materials. For procurements of \$40,000 and under, KCHA may informally solicit five contractors from the Small Works Roster including at least one WMBE or Section 3 business, if possible. If the Small Works Roster cannot be used, large purchase procedures must be used.

**Purchase Order** - Official purchasing document used to place orders with vendors and process payments of invoices. A purchase order may be obtained from the Purchasing Department.

**Quotation** - An oral, faxed or written price or offer of a good or service submitted by a bidder. For procurements over \$10,000, bidders should submit faxed or written quotations on a KCHA bid form or on company letterhead.

**Request for Proposals (RFP)** - A method of solicitation where KCHA's solicits prospective bidders to submit a proposal based on the terms and conditions set forth in the RFP. This process is used when KCHA can clearly define its scope of work, but cannot identify the services appropriate to meet its requirements. Bidders should evaluate the scope of work and propose a solution. Proposal evaluation and contractor selection are based primarily on criteria other than cost alone. KCHA must identify such award evaluation criteria (expertise, experience, qualifications, approach to project) and the respective weight used in the evaluation. The bidder will submit a proposal detailing its price, methodology,



recommended solution, and expertise based on the evaluation criteria. After an evaluation by a selection committee of at least three evaluators, price and schedule will be negotiated with the highest rated bidders.

**Request for Qualifications (RFQ)** - A method of solicitation where KCHA solicits prospective architect-engineering services to submit a proposal in which price is neither requested nor used as an evaluation factor; instead, interested firms submit proposals evidencing their experience, training, technical qualifications, and expertise for a specific work or project. After evaluation by a selection committee of at least three evaluators, only the highest ranked firm or firms are interviewed or requested to submit a proposal describing the most appropriate, innovative, etc. approach or methodology to perform the work. A fair and reasonable price is then negotiated with the best qualified firm. If KCHA cannot reach agreement on the final price and/or final scope of work, KCHA may then negotiate with the next highest rated respondent until an acceptable contract is executed. Use of an RFQ is required in A&E solicitations which are by law excluded from using price as an evaluation criteria. Other types of solicitations where it may be appropriate to use the RFQ process (non-federal funds only): accounting, attorney, physicians or professional service firms.

**Responsible Bidder** - See “lowest responsible bidder”.

**Responsive Bid/Offer** - A bidder/proposer whose bid does not vary from the specifications, requirements, submittals and terms set out by a solicitation.

**Routine Goods** - Goods that may be purchased through a catalog, such as electrical supplies, paint, appliances and parts, plumbing supplies, lumber and hardware, tools, janitorial supplies, safety equipment, office furnishings and equipment, computer equipment, pagers, telephones and cellular phones, work clothing, etc.

**Sanctions** - Measures which may be invoked by HUD to exclude or disqualify contractors from participation in HUD programs (e.g., debarment and suspension).

**Scope/Statement of Work** - Written definition of work to be performed which establishes standards sought for the goods or services to be supplied. Depending on the complexity of the procurement, the scope may: identify the work to be performed; set parameters by which the desired scope of work can be defined and by which progress and results can be measured; required some defined “end product” and some tangible form of progress/compliance reporting; a scope for a labor-hour type of requirement should specify the kind of labor categories required to perform the work, and any qualification requirements (e.g. experience, certification); nature of the work.

**Sealed Bidding (IFB)** - A solicitation method where bids are publicly solicited and a firm-fixed-price contract (lump sum or unit sum) is awarded to the lowest responsible bidder that conforms with all the material terms and conditions of the invitation for bids. This method of procurement requires a clearly, accurately, and completely written scope of work and specifications from KCHA describing its requirements; a public bid opening, an evaluation of bids, and award the contract based on the lowest bid submitted by a responsible contractor. The sealed bid method is the preferred method for procuring



construction and goods, supplies, equipment and materials.

**Selection Committee** - In a RFP/RFQ solicitation, a committee of at least three evaluators who analyze the proposals submitted according to the evaluation criteria set out in the solicitation.

**Severability** - A clause commonly found in contracts which provides that in the event that one or more provisions are declared void, the balance of the contract remains in force.

**Show Cause Letter** - A document the Contracting Officer sends to a defaulting contractor to notify the contractor that the contract may be terminated by reason of default unless the contractor can prove within a specified period of time (e.g. 10 days) that the condition was not his or her fault.

**Small Business** - A business which is: independently owned; not dominant in its field of operation; and not an affiliate or subsidiary of a business dominant in its field of operation.

**Small Works Roster** - A list of contractors from whom bids or proposals are requested for construction projects (Public Works) or procurements where on-site labor is required excluding ordinary maintenance or an estimated cost of \$150,000 and under (\$300,000 for non-federally funded projects) An informal solicitation of five contractors with one WMBE or Section 3 business, if possible, is used to evaluate and select a contractor. At least annually, KCHA must advertise in a newspaper of general circulation the existence and requirements for being placed on its small works roster. If unable to procure construction projects through use of the Small Works Roster, Large Purchase procedures must be followed. (See Small Works Roster Purchases for procurement procedures.)

**Social Services**-- A service designed to provide meaningful opportunities for socio-economic growth, healthy living or lifetime stability for specific sectors of the KCHA population. The purpose or goal of these services is to assist individuals to develop into self-reliant citizens and promote social equity. Examples of services include but are not limited to education/training programs, employment assistance, housing programs/assistance, childcare, youth programming, food security/subsidies, health care, senior services, etc.

**Sole (Single) Source** - A contractor or vendor who provides services or goods of such a unique nature that the contractor is clearly and justifiably the only practicable source to provide the service or good. The justification is based on either the uniqueness of the service or good or sole availability at the at the location required. Award shall not be made unless a bid analysis in the form of a memorandum to file verifies the reasonableness of the price.

**Soliciting Department** - The Department that actually solicits the procurements. Certain purchases may be made by specific Departments who then take responsibility for the procurement. E.g. Purchasing: routine goods, supplies and materials; telephones, telephone, cabling and telephone systems, security systems; MIS: computer equipment, software and computer cabling; Construction/Maintenance: construction work or other work with on-site labor having Davis Bacon or Prevailing Wages requirements.



**Specifications** - Clear and accurate description of the technical requirements of a service or supply contract. All specification must be written in a manner so as to not preclude products or services of an equal nature to participate or compete.

**Standardization** - The process of examining specifications and needs for items of similar end usage and drawing up one specification that will meet the needs for most or all purchases of that item.

**State or Local Funding** - The source of the procurement funding is state or local government, including HOF, Trust Fund, Non-HUD Project Funding, or any state or local grant.

**Subcontract** - Any contract, purchase order, or other purchase agreement, including modifications and change orders to the foregoing, entered into by a subcontractor to furnish supplies, materials, equipment, and services for the performance of the prime contract or a subcontract.

**Subcontractor** - Any person(s) or business holding an agreement with the prime contractor in which the relationship is not that of employer and employee and any portion of the contractor's obligation is performed, undertaken or assumed.

**Tax Credit Partnerships** - See partnerships.

**Termination for Convenience** - Ending performance of a contract when the products or services are no longer required, the contractor has defaulted on the contract or when it is in the best interests of KCHA to terminate the contract.

**Termination for Default/Cause** - Termination of a contract when the contractor fails to perform or make progress so as to endanger performance.

**Time-and-Materials Contract** - Contract which provides for payment of supplies and services on the basis of incurred direct labor hours (at fixed rates which include direct costs, indirect costs, and profit) and materials (at cost).

**Time Delay** - An interruption during which services, supplies, or work are not delivered in accordance with the performance time schedule stated in the contract.

**Unbalanced Bid** - A bid that is so much lower than other bids received that it is doubtful the bidder will be able to deliver the requested scope of work and meet wage requirements, if any. The soliciting Department should verify with the bidder that its bid was not erroneous by reviewing the cost elements of the solicitation. If after this review the bidder does not withdraw its bid, the soliciting Department may determine the bidder is unable to perform the contract and therefore the bid is nonresponsive. A memorandum to the contract file approved by the Executive Direction should justify bid rejection.

**Variance** - An immaterial variance is an informality or irregularity as to a matter of the form of a bid which does not prejudicially affect the substantial rights of the interested parties. The test of whether or not a variance is material is whether or not it gives a bidder a substantial advantage or benefit not enjoyed by other bidders. When bids are submitted, immaterial or non-prejudicial variances can be



waived as informalities; however, bids with material defects must be rejected.

**Women/Minority Business Enterprise (WMBE) Participation** - Federal regulations requiring KCHA take all necessary affirmative steps to assure that minority firms, women's business enterprises, and labor surplus area firms are used when possible.

**Women's Business Enterprise** - A business that is at least 51 % owned by a woman or women who also control or operate the business.

DRAFT FOR APPROVAL



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

**RESOLUTION NO. 5556**

**ADOPTION OF REVISIONS TO THE PROCUREMENT POLICY AND  
PROCEDURES MANUAL**

---

**WHEREAS,** A Procurement Policy and Procedures Manual is necessary to provide operating guidelines, procedures and methods of procuring goods and/or services in accordance to the mission of the Authority; and,

**WHEREAS,** Resolution No. 5556 rescinds the Authority's current Procurement Policy (Resolution No. 3067) adopted by the Board of Commissioners in April 2000; and,

**WHEREAS,** the Authority has, from time to time, amended, updated or clarified existing policies; and,

**WHEREAS,** the Federal regulations governing the Authority's procurement policy has been changed to 2 CFR Part 200 from 24 CFR Part 85 requiring housing authorities to adopt these changes effective for Calendar Year 2017; and,

**WHEREAS,** state laws governing the Authority and its employees are subject to change, necessitating revisions in KCHA's policies; and,

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

**SECTION 1:** The Board of Commissioners of the Housing Authority of the County of King hereby approves and adopts a revised Procurement Policy and



Procedures Manual which is attached hereto as Exhibit A and made a part hereof as though fully set forth herein.

**SECTION 2:** The Executive Director is hereby authorized to make such administrative changes as are necessary to further clarify and enact these Policies.

**ADOPTED AT A REGULAR MEETING OF THE BOARD OF THE COMMISSIONERS OF THE HOUSING AUTHORITY OF THE COUNTY OF KING THIS 19TH DAY OF DECEMBER 2016.**

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

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**DOUGLAS J. BARNES**, Chair  
Board of Commissioners

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**STEPHEN NORMAN**  
Secretary



# T A B N U M B E R

7





**To:** Board of Commissioners

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

**Date:** December 13, 2016

**Re:** **New Bank Accounts**

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*Since the last Board meeting KCHA opened four new bank accounts.*

### **Highland Village Apartments**

At the conclusion of an RFP process, responsibility for managing Highland Village Apartments was awarded to a new outside property management company. As a result, previous bank accounts that were recently opened have been closed and replaced by the accounts listed below.

- Housing Authority of the County of King – Highland Village – Depository

Bank: Bank of America

Purpose: The Authority opened a full business checking account with Bank of America that will be used to receive and hold property income. The Depository Account will also wire funds to the Operating Account to fund operating expenses.

- Highland Village Operating Trust
- Highland Village Security Deposit Trust

Bank: Umpqua Bank

Purpose: The Authority opened a full business checking account that will be used to issue payments on behalf of the property. The Operating Account will also receive wires from the Depository Account and issue payments in the form of checks, wires, and ACH payments. Wire transfers will be made to the Operating Account to pay for the property's operating expenses.

The Security Deposit account will be used to hold tenant security deposits. Transactions will include and be limited to deposits from the depository account and transfers to the operating account for tenant refunds. KCHA policy requires tenant security deposits and the practice is to hold security deposits in separate bank accounts.



**Vantage Point Apartments**

- Vantage Point Apartments LLC – Supplemental Reserve

Bank: KeyBank

Purpose: The Authority opened a full business checking account with KeyBank that will be used to hold excess development cash for use for future repairs. The Supplemental Reserve Account would transfer funds to the Operating Account to fund these expenses.















# T A B N U M B E R

8



# King County Housing Authority Executive Dashboard

3rd Quarter Dashboard: July 1 - September 30, 2016

	actuals jul '13 - sept '16	Sep-16	target	3-yr avg	3-yr high	3-yr low
<b>Finance</b>						
LGIP Rate <sup>1</sup>		0.44%	0.18%	0.20%	0.49%	0.09%
Non-LGIP Investment Rate		1.09%	0.65%	0.94%	1.10%	0.71%
Revenue to Budget (Budgeted \$188,114,260)		105%	100%	101%	105%	96%
Expenditures to Budget (Budgeted \$160,847,870)		99%	100%	98%	100%	97%
<b>Property Management</b>						
Public Housing Occupancy Rate (3,666 units) <sup>2</sup>		99.2%	98.0%	98.8%	99.4%	97.9%
Local Program Occupancy Rate (5,542 units)		98.4%	96.5%	98.7%	100.0%	97.8%
KCHA Units Owned <sup>3</sup>		9,444	9,590	9,099	9,444	8,647
<b>Section 8 Operations</b>						
Utilization Rate <sup>4</sup> (Vouchers Leased: 9,546)		102%	101%	103%	105%	99.7%
Households Paying >40% Income to Rent (n = 2,473)		21%	<25%	21%	24%	19%
<b>Exit Data</b>						
Positive Exits		30%	>25%	32%	64%	15%
Negative Exits		20%	<20%	21%	39%	12%
Total Monthly Exits		54	-	54	113	26

 Denotes indicators of interest.

<sup>1</sup> Washington State no longer publishes target LGIP rates as of 4/1/2016. KCHA budget rate of 0.18% is used in its place.

<sup>2</sup> Excludes some units in portfolio where turnover is not tracked monthly.

<sup>3</sup> Projected total units by 12/31/16.

<sup>4</sup> Adjusted for 12-month incremental lease-up of new vouchers.



# T A B N U M B E R

9





**TO:** Board of Commissioners

**FROM:** Tonya Harlan, Director of Human Resources

**DATE:** December 13, 2016

**RE:** **Study Session – Leadership Development Initiative**

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**Executive Summary**

The most valuable asset we have at the Housing Authority is our employees. The commitment to mission and to operational excellence, and the experience and skills of our almost 400 employees, are what makes this organization exceptional. A critical determinant of our organizational future is the degree to which we can attract and retain, and train and advance, our workforce. In 2015 KCHA recommitted to this goal. At the December 2016 Board meeting, staff will discuss the Leadership Development initiative which has evolved out of that commitment. The purpose of the study session is to inform Commissioners as to the initiative's current status and to check in with you to make sure we are on the right track.

**Discussion**

Leadership Development as a concept can encompass many different approaches, including training, succession planning and recruitment. Staff met internally and with third party facilitators to develop a conceptual framework for our efforts: *at KCHA every employee is a leader, whether by title or situation.*

KCHA's senior management team and Human Resources Department in particular have taken ownership of this challenge. The questions we have been grappling with include:

- How do we connect every job to our mission?
- How do we recruit, cultivate and retain potential leaders?
- What standard skills do we expect all managers to have?
- How do we develop a culture where continuous improvement is used as both a tool to improve processes and as a practice for training future leaders?
- How do we build diverse, high functioning work groups that reflect our values and our communities?
- How do we develop career pathways that strengthen our succession planning efforts?



Attached are three of the work products our Leadership Development team has developed. They will be fully discussed at the meeting but due to the density of information we wanted to provide them in advance for your review.

The first document is KCHA's Management Philosophy. It is designed as a communication tool for all staff and ties our mission and values to our expectations of all employees, especially those in leadership positions. This document will be the lens through which we evaluate the applicability of training and other policies. Ultimately it should be the foundation for evaluating successful performance.

The second document lays out an employee life cycle training plan. As employees advance through their careers here, they will be offered and/or required to take various types of training ranging from initial on-boarding to high level management skills as appropriate. As with any training, practice is required to really build understanding. KCHA has and will continue to develop opportunities at all levels for employees to come together across departments to discuss and use what they have learned. Employee committees, mentoring, Toastmasters and special projects are among the engagement programs we already have in place.

The final page is a draft document for the KCHA Management University. The courses represent specific technical and managerial skills our leaders must have. Such a list not only reflects the Authority's expectation of current leaders, but also provides a road map to future leaders as to what they must learn and practice to be successful. We would stress that this is very much a draft, but it captures our current thinking in this area.

We look forward to an interesting discussion with you.





# We Transform Lives Through Housing

## VISION & MISSION

All residents of King County have quality affordable housing.

KCHA is a national leader in providing innovative and effective housing solutions so that people and communities can prosper.

## VALUES

EXCELLENCE

TEAMWORK

INTEGRITY

TRUST

COMMUNICATION

CONSISTENCY

## How We Work Together

### Set the Vision

Create a clear connection between department strategy, the daily work and our mission.

### Lead by Example

Inspire others by modeling desired behaviors and coaching. Place KCHA values at the heart of our work.

### Enable Others to Act

Achieve results in partnership with others by clearly communicating goals and creating collaborative engagements.

### Challenge the Process

Challenge the status quo. Be courageous, ask questions, share ideas and support continuous improvement.

### Champion Diversity

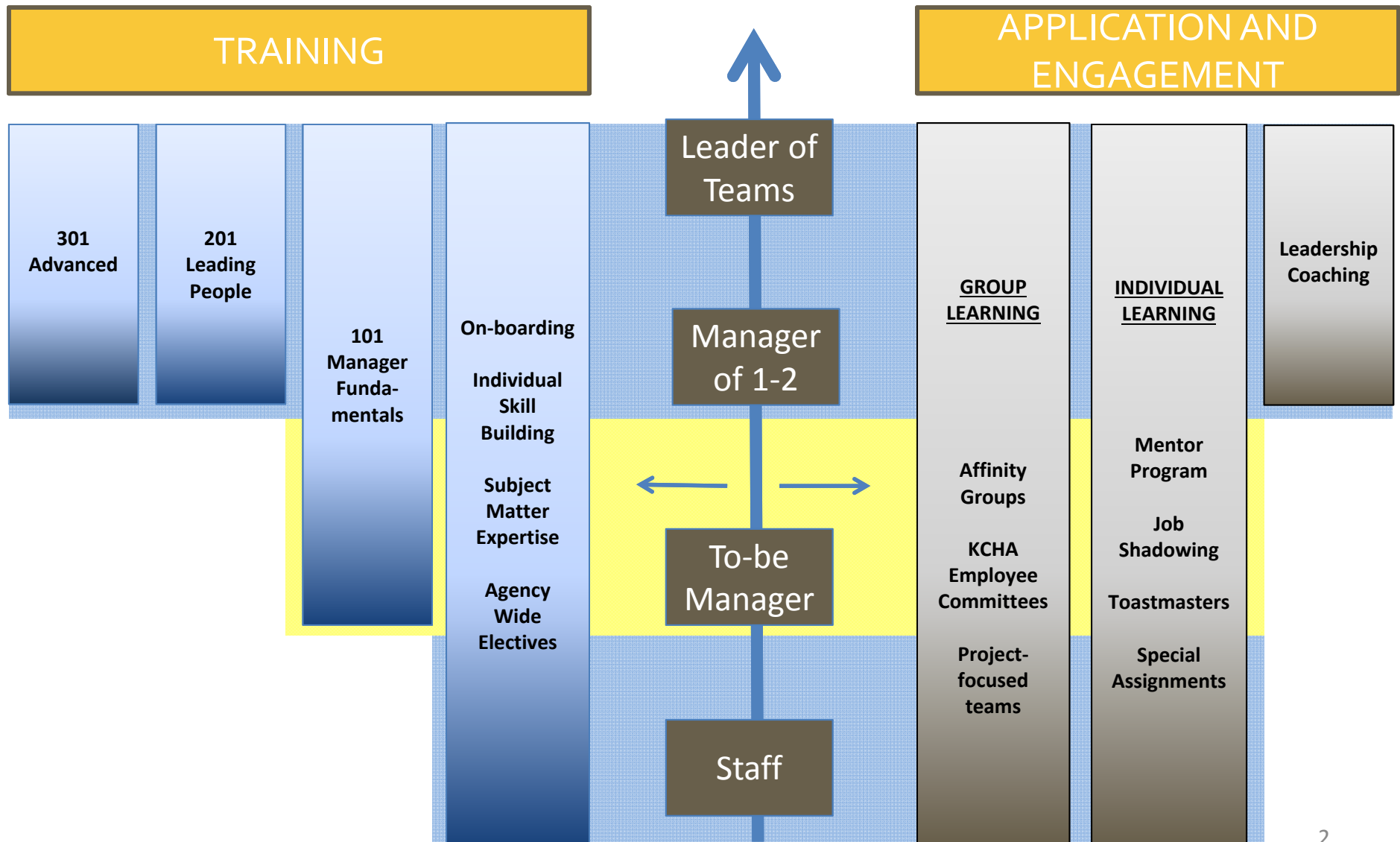
Build cultural competencies. Foster inclusion and create an environment where all employees feel empowered.

### Continuously Learn

Engage in activities to increase our skills. Pursue opportunities to advance personal and professional growth.



# Leadership Development Framework





# KCHA UNIVERSITY



101 Fundamentals Management Basics and Policy	201 Intermediate Skills Leading People	301 Advanced Leading Teams	Elective Training
<b>Management Center Training</b> <ul style="list-style-type: none"> <li>Delegation Cycle</li> <li>Roles &amp; Goals/Project Management</li> <li>Effective 1:1's</li> <li>Managing Up</li> <li>Hiring</li> <li>Staff Development</li> <li>Feedback</li> </ul>	<b>Coaching and Crucial Conversations</b>	<b>Strategic Orientation</b> <ul style="list-style-type: none"> <li>Business awareness and critical analysis</li> <li>Executing Strategy</li> <li>Risk Analysis &amp; Mitigation</li> </ul>	<b>Project Management Training</b> <b>Job Specific Technical Training:</b> I.E. Compliance, RS Means –Cost Estimating, HCV Calculations  <b>Budget/Financial Reporting</b>
	<b>Staff Development and Empowerment</b> (could be incorporated in other training by Archbright)		
	<b>Change Management</b> <ul style="list-style-type: none"> <li>Motivating and Leading Change</li> </ul>	<b>Customer Impact</b> <ul style="list-style-type: none"> <li>Serving and Building Value-added Relationships</li> </ul>	<b>Results Based Facilitation</b> <ul style="list-style-type: none"> <li>Presentation Development</li> <li>Training Delivery</li> </ul>
	<b>Personal Influence and Negotiations</b>	<b>Team Leadership –Building Effective Work Groups</b> <ul style="list-style-type: none"> <li>Diversity/Generational Differences</li> <li><i>Emotional Intelligence Training</i></li> <li>Leadership Styles/Team Styles</li> <li><i>Situational Leadership</i></li> </ul>	LEAN Problem Solving LEAN Continuous Improvement Skills
<b>FMLA/ L&amp;I Claim Management - Work Place Injuries</b> <ul style="list-style-type: none"> <li>Understanding Legal Issues</li> </ul>	<b>Critical Thinking and Decision Making</b> <ul style="list-style-type: none"> <li>Building and Executing Strategy</li> </ul>		
<b>Performance Management</b> <ul style="list-style-type: none"> <li>Setting Expectations</li> <li>Writing Performance Appraisals</li> <li>Delivering Performance Appraisals</li> <li>Coaching for Skill Enhancement</li> </ul>	<b>Additional options:</b> Time Management Conflict Management	<b>Results Orientation</b> <ul style="list-style-type: none"> <li>Improving Business Results</li> </ul>	
<b>Policy Interpretation/Application</b> <ul style="list-style-type: none"> <li>Supervisory Supplement</li> <li>Managing Under a CBA</li> </ul>			
<b>3 D's: Discipline, Discharge, Documentation (PIP)</b> <ul style="list-style-type: none"> <li>Manager Files</li> </ul>			
<b>Recruitment</b> Navigating NEOGOV <ul style="list-style-type: none"> <li>Legal Requirements</li> <li>Hiring Winners</li> <li>Identifying Competencies</li> <li>Interviews/Panel Process</li> </ul>			Fundamentals 1 Year Requirement



# T A B N U M B E R

10



## **KCHA IN THE NEWS**



# Multi-Service Center veterans housing project to open Dec. 8

2071  
BY RAECHEL DAWSON

rdawson@fedwaymirror.com

Just over 10 percent of the homeless population are veterans.

And 20 percent of homeless males once served in the military.

But the Multi-Service Center will soon make a difference in the lives of 44 homeless veterans once the William J. Wood Veterans House opens this December in Federal Way.

"Where it's really important is not only are we giving 44 units of housing to the homeless population, we're also honoring veterans at the same time," said Greg Hollmann, the Veteran Project Coordinator with the Multi-Service Center.

CEO Robin Corak said the Multi-Service Center is excited to see the project come to fruition.

"We want to give everybody living in the house every opportunity and resource needed to be successful," she said.

Veterans will be honored by little reminders of patriotism throughout the housing project they will call home. A 35-foot flag pole will greet them before they enter their building that will proudly display artwork fit for a soldier.

Hollmann said they are about 98 percent done filling the one-to-three bedroom, fully furnished

units. Identified by Veterans Affairs, those who live in the veterans house will receive Department of Housing and Urban Development-Veterans Affairs Supportive Housing vouchers (also known as VASH vouchers), which are similar to Section 8 vouchers. The vouchers allow tenants to pay 30 percent of their income, whatever that may be, toward rent.

So far, the tenants range from young single fathers in the National Guard to grizzled Korean war veterans where the veterans house will likely "be the last place they'll ever live."

"We have people getting their lives together," Hollmann said. "Veterans who walked out of the woods the day they needed to do their paperwork."

Of the 44 units, 11 units will serve families.

Hollmann said while ~~there was a 2010 initiative~~ to put an end to homeless veterans, which has reduced homeless veterans by 37 percent, there's currently a "massive draw-down" as wars come to an end.

Approximately 50,000 soldiers, 17,000 airmen and 15,000 marines have been "forcibly pushed" out of the military and there are many who don't want to leave, said Hollmann, an Army veteran who was active for four years and spent two years in the Army Reserve.

And those who are pushed out may have mental health issues such as Post-Traumatic Stress Disorder or substance abuse.

"A lot of soldiers don't want to ask for help for PTSD because they're afraid to lose their security clearances and lose their job," Hollmann said.

Other times, soldiers aren't prepared for civilian life, such as paying rent and shopping for groceries, and some military occupations don't transfer to the civilian workforce.

"They don't have the basic skills of a college student," Hollmann said, adding that those lack of skills can feed into homelessness, especially when faced with King County's expensive housing market.

The William J. Wood Veterans House will be more than just infrastructure.

Hollmann said there will be wrap-around services with an on-site Veterans Affairs representative, three full-time case managers, job training rooms, computer labs, youth rooms and more. Hollmann said he's reached out to the veterans clinic and is contemplating bringing in flu shots, nutrition classes, and hopes the site can be host to groups or classes for Post-Traumatic Stress Disorder or marriage counseling.

"Let's make this seamless, so that all services are there," Hollmann said, noting that



they designed the building for extra office space. "Mental health and chemical dependency - let's bring services to them."

The Multi-Service Center already has many services such as food banks, employment and education training, which will be of use to

homeless veterans, but Hollmann said bridging those services with other veterans groups will be key.

[ more HOUSE, page 12 ]

The Multi-Service Center's William J. Wood Veterans House will open on Dec. 8. It is located at 29404 Pacific Highway S. in Federal Way. RAECHEL DAWSON, the Mirror

Federal Way, WA  
(King Co.)  
Federal Way Mirror  
(Cir. W. 30,000)

NOV 04 2016



## [ HOUSE from page 11 ]

"I really want people to realize this isn't a separate community in Federal Way, this is our community," Hollmann said. "We really want to integrate these people into the community."

Multi-Service Center's previous CEO, Councilwoman Dini Duclos, saw an increased need for serving veterans in South King County and she and Corak began work on the project, as both have family members and friends who have served in the military.

But getting the project to break ground was challenging.

The project was initially supposed to be funded through federal funding with the Department of Housing and Urban Development, but the government's sequestration changed regulations and the project died. Corak said King County was persistent and they found a way to make the project work, however, there was a second obstacle. Just as Multi-Service Center was getting ready to break ground two years ago in November 2014, Sound Transit announced the possibility of light rail on Pacific Highway South, which may have subjected the project to eminent domain. However, the Sound Transit Board has since recommended a light rail route that wouldn't impact the project.

The William J. Wood Veterans House is possible due to the funding of the Washing-

ton State Department of Commerce Housing Trust Fund, King County Veterans and Human Services Levy administered by the King County Housing and Community Development, King County Housing Authority, Federal Home Loan Bank (Umpqua Bank as the sponsor), the National Equity Fund, LISC-NEF Bring Them Homes Initiative with MetLife Foundation, The Home Depot Foundation, Impact Capital, Washington Federal Bank, tax credits through the Washington State Housing Finance Commission, and the generous resources of Multi-Service Center and Shelter Resources, Inc.

As Multi-Service Center readies the Federal Way veterans housing project for completion, the organization is asking for donations that make a unit feel like home. Although the units are fully furnished, occupants will still be in need of home necessities such as towels, sheets, and other like-items. It costs about \$300 to outfit one bedroom, Hollmann said.

To donate, contact the volunteer coordinator Joan Pratt at 253-838-6810 ext. 2005.

The William J. Wood Veterans House will host an open house from 3-6 p.m. on Thursday, Dec. 8. The housing project is located at 29404 Pacific Highway S. in Federal Way.

For more information on the William J. Wood Veterans House, visit [mschelps.org/gethelp/housing/veterans](http://mschelps.org/gethelp/housing/veterans).

2071



# SECTION 8 'RIPPLE EFFECT'

<sup>2071</sup>  
**LOW-INCOME RENTERS** | As rents soar, many in the federal voucher program are seeking more-affordable places outside Seattle, but that raises competition for what units can be found.

By VERNAL COLEMAN  
*Seattle Times staff reporter*

On a recent Saturday morning, Elmika James settled into a couch inside the subsidized, three-bedroom apartment she fears she could soon lose and began searching for a new home.

She scoured housing websites on her phone, looking over listings friendly to participants in the federal Housing Choice voucher program, otherwise known as Section 8.

Many of the listings were old, the apartments advertised already rented. Others were scams. Some property managers

have told her flatly they did not accept the vouchers at all.

James, a 43-year-old UPS package handler and mother of five, said rejection has become part of her daily routine.

And she's not alone.

As the housing market skyrockets, many of the region's poorest tenants are struggling — and competing — to find homes they can afford.

For James, cities like Seattle, where rents are higher than they've ever been, seem out of reach. "There just doesn't seem to be anything there for me," she said.

The Seattle Housing Authority

manages 10,000 vouchers and remains the largest program in the county. But the city has been bleeding Section 8 tenants for years as families move elsewhere in King County and the region.

Voucher holders are not bound by geography. Anyone lucky enough to obtain one, usually by lottery or after a waiting period, is free to transfer to another jurisdiction.

In 2011, 1,770 Section 8 tenants transferred their vouchers from Seattle to another jurisdiction, according to figures obtained by The Seattle Times. The

See > **SECTION 8, A11**

## How Section 8 works

The Housing Choice Voucher Program provides funds from the U.S. Department of Housing and Urban Development to help poor, elderly and disabled renters pay for housing. Managed by local public-housing authorities, the program provides renters with payment vouchers they can use to secure privately owned housing. Each voucher is good for a portion of the tenant's monthly rent, and is paid by the housing authorities directly to the landlords during the life of each lease.

Source: HUD

Seattle, WA  
(King Co.)

The Seattle Times  
(Cir. D. 229,764)  
(Cir. Sun. 336,363)

NOV 18 2016



# < Section 8

FROM A1

total in 2015 was 1,938.

Meanwhile, the number of transfers into Seattle has plummeted, dropping from 460 in 2011 to 276 last year.

In King County, the trend is moving in the opposite direction as tenants look to the suburbs for a reprieve. In 2011, 2,396 Section 8 tenants transferred their vouchers to the King County Housing Authority. In 2015, a total of 2,739 tenants arrived.

Less clear is how much housing is available to voucher holders. None of the county's three housing authorities tracks the raw number of houses and apartment units operated by participating landlords.

But Seattle Housing Authority spokeswoman Kerry Coughlin acknowledged that the supply does not appear to have kept up with demand.

"What we're seeing now is this ripple effect," said Coughlin. "As rents in Seattle skyrocket, you can see it move farther and farther out into the county, and it makes finding housing for our Section 8 clients even more difficult."

In Renton, where James' voucher obliges her to search, the wave may have finally breached the city's borders.

Section 8 tenants transfer their vouchers for a variety of reasons, but those who have chosen Renton have done so in part because rents in South King County have traditionally lagged behind, said Jill Richardson, who manages operations for the Renton Housing Authority.

But Renton is catching up. Its average three-bedroom apartment goes for \$1,809 a month, according to Dupre + Scott Apartment Advisors. That's just behind the \$1,950 countywide average.

As recently as summer, voucher holders were "flooding" to Renton in search of housing, Richardson said. As of November, the number of transfers into the authority so far this year reached 489, up from the 452 recorded in 2014.

"And then rents went up," she said.

The combination of in-

creasing rents and more housing seekers has hit the tenants of Renton Woods particularly hard.

Elmika James had only held a voucher for a year when she and dozens of other Section 8 tenants in Renton were informed at the end of August that their leases would not be renewed.

A notice taped to James' front door told her she had just 60 days to move out.

After threats by the Northwest Justice Project of a housing-discrimination suit, and scrutiny by Renton city officials, the company that manages the Renton Woods complex where James makes her home backtracked.

Attorney Scott Crain, who represented James and several other tenants, said the company agreed to extend the move-out deadlines in early November, then later dropped the move-out deadline altogether.

Her situation is secure for now, but James said she still fears she could lose her \$1,342-a-month apartment, and will continue to search for other options.

"When this whole mess started, I wanted to find a place we could call home," James said. "Now I'm not as picky."

Toya Thomas, a Renton Woods tenant of five years, has held a voucher for the past 12. Like other voucher holders, she has bounced around the county. She previously lived in Des Moines and Seattle before settling at Renton Woods. At the time it was known as Renton Heights, and it was owned by a company much friendlier to Section 8 renters, Thomas said.

Like other complexes in the area, Renton Woods has passed from one owner to another as property values increase. Its current owner, New York-based Abacus Capitol Group, bought the apartment complex in 2015 for \$40.5 million, according to property records.

The company and its property manager have not returned calls requesting comment.

Thomas' own search for a new home began the day the notice appeared on her door in August. So far she's been unsuccessful.

## Region's Section 8 renters flee Seattle

Hundreds of Section 8 vouchers are transferred out of Seattle each year, and few are transferred in, as some of the region's poorest renters search for affordable housing in smaller cities throughout the county. But even in those towns, the search is getting harder.

### 2015 transfer numbers

#### SEATTLE HOUSING AUTHORITY

Incoming 276

Outgoing 1,938

#### KING COUNTY HOUSING AUTHORITY

Incoming 2,739

Outgoing 522

#### RENTON HOUSING AUTHORITY

Incoming 456

Outgoing 31

Housing authorities



Sources: Seattle Housing Authority, King County Housing Authority, Renton Housing Authority

KELLY SHEA / THE SEATTLE TIMES

"Five years ago, you could walk into RHA and walk out 15 minutes later feeling secure because you had an apartment," she said. "Not anymore. You have 20 families competing over the same apartment now."

As the now-canceled move-out deadline neared, she applied to transfer her voucher to King County. And she's now hoping for a better result.

So is Elmika James, who said she'd like to find a duplex or private home. Or maybe just something nearer downtown Renton and a Metro bus line to help ease her 19-year-old son's daily commute to Seattle Central College. The closest stop is a mile away by foot.

She thought she'd found a potential replacement in September, but lost it because she couldn't afford the \$1,500 deposit required by the landlord.

A few weeks later came a lead about a complex in Renton that rents to voucher holders, but she abandoned the pursuit after a friend who had already toured the complex warned her about its condition. Now she's back to square one.

Thomas said she has faith the process will eventually work in her favor.

"It would be nice if it proved me right," she said.

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## Early learning program emphasizes teaching moments are everywhere, even in the syrup

By [Ann Dornfeld](#) • Nov 29, 2016



GLEA family advocate Camille Churchill visits with four-year-old Moise, and his mother, Angela Madrid  
KUOW Photo/Ann Dornfeld

On a sunny Saturday morning, a dozen moms and dads sat around tables in a White Center elementary school library, looking at a PowerPoint slide of a little boy pouring syrup on his pancakes.

"What do you think would happen if I said nothing at all? How much would he put on there?" asked speaker Kellie Morrill, director of the Educare of Greater Seattle P-3 campus.

"Way too much," the parents replied.

"So even though it's really, really basic, there's some math and measurement and prediction stuff that's happening here, and you can verbalize that," Morrill said.

Finding educational opportunities in the quotidian moments of a child's day is one focus of Greenbridge Learning and Education Advocacy Baby Academy, a nine-week program of weekend classes in child development. The program is meant to show parents that education doesn't begin at school — parents are their children's first teachers.

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In Highline School District, two-thirds of all students come from low-income families, and more than a quarter are still learning English. Those factors can hamper school readiness.

"Our youngest students needed additional supports if they were going to arrive at kindergarten with the skills they needed to be successful," said Anne Arnold, the district's director of early learning. Skills include the ability to count, recite the alphabet and share toys with their peers.

"There's definitely a sense that schools will take care of things when they arrive, and [that] once children are there they'll begin their education process," Arnold said. "And what we want to share with parents is that the first five years of that child's life present a tremendous opportunity to impact the long-term success of that child."

With a grant from the Bill and Melinda Gates Foundation, the district partnered with the King County Housing Authority to identify families living in public housing in White Center with babies or babies on the way.

Highline invited those families to take part in the two-month baby academy, where they learn about ways to integrate learning experiences into every aspect of their children's days. That's followed by support for the first three years of their children's lives.

The model is based on the Harlem Children's Zone in New York City, which aims at providing cradle-to-career help and guidance for kids and their families.

Part of that support is home visits to check in with families and monitor children's development. The goal is to catch any developmental delays early on.

'Only special people speak Spanish'

On a recent morning, GLEA family advocate Camille Churchill sat in Angela Madrid's living room with her one-year-old daughter, Yaffa, and four-year-old son, Moise.

Madrid is from Honduras, her husband is American. Churchill praised Madrid for regularly speaking to Moise in Spanish, even though his primary language is English.

"Sometimes I force him to speak in Spanish and he say, 'I'm sorry, I don't understand what you meant.' He try! He say, 'How do you say it in Spanish, these words?'" Madrid said

She turned to her son. "See Moise, listen! She say you need to speak in Spanish."

Churchill chimed in. "Every person in this room speaks English," she said. "Only special people know Spanish, so you need to keep your Spanish."

Moise smiled and sighed.

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Churchill asked Moise to show her the numbers he knows, to run and hop and skip around the room, and to repeat long words like sedimentary and ostracize. Moise did so perfectly.

"You guys have done an excellent job with his language," Churchill said. "He is giving me 10-word sentences. He has really good thought processes."

Madrid smiled at her son and repeated what Churchill said — in Spanish.

For kids who are falling somewhat behind developmentally, the GLEA advocates give parents skill-building activities they can do with their kids. Children with more serious delays get referrals to agencies that help them get up to speed, often with home visits as well.

Madrid said she and her husband have learned a lot in the past year and a half they've been part of GLEA.

"How to teach them at a young age, what kind of games to play, and how important it is to play when they are young, too," Madrid said. "It's a really cool program."

Arnold said GLEA has been so popular that parents from other districts have asked to take part, too, although that isn't possible within the scope of the grant.

"We've had huge response to the program. We've had very significant participation amongst our community in the White Center area," Arnold said. The program is now expanding to another school in the neighborhood.

Arnold said the real test though will be several years down the road, when the children who entered the program as babies reach kindergarten.