



MEETING OF THE BOARD OF COMMISSIONERS

December 17, 2018 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** **1**
 - A. Board Meeting Minutes – November 19, 2018
- V. Approval of Agenda**
- VI. Consent Agenda** **2**
 - A. Voucher Certification Reports for October 2018
- VII. Resolutions for Discussion & Possible Action**
 - A. **Resolution No. 5614** - Authorizing the Issuance of the Authority's Non-Revolving Line of Credit Revenue Note, 2019 (Riverstone Apartments) to Finance Acquisition of the Riverstone Apartments **3**
 - B. **Resolution No. 5615** – Authorizing Higher Payment Standards for the Housing Choice Voucher Program **4**
 - C. **Resolution No. 5616** – Authorizing Approval of the Comprehensive Operating and Capital Budgets for Calendar Year beginning January 1, 2019 **5**

VIII. Briefings & Reports	6
A. Risk Management Update	
B. New Bank Accounts	7
C. Third Quarter Executive Dashboard	8
IX. Executive Director Report	
X. Executive Session	
A. To review the performance of a public employee (RCW 42.30.110 (1) (g))	
XI. Commissioner Comments	
XII. Adjournment	
<p>Members of the public who are disabled and require special accommodations or assistance at the meeting are requested to notify the Board Coordinator in writing at 600 Andover Park West, Seattle, WA 98188 or by calling 206-574-1198 prior to the meeting date.</p>	

T A B N U M B E R

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

Monday, November 19, 2018

I. CALL TO ORDER

The meeting of the King County Housing Authority Board of Commissioners was held on Monday, November 19, 2018 at 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, Commissioner Susan Palmer, Commissioner TerryLynn Stewart, and Commissioner John Welch (via Telephone)

Excused:

III. Public Comment

None.

IV. APPROVAL OF MINUTES

A. Board Meeting Minutes –October 8, 2018

On motion by Commissioner Susan Palmer and seconded by Commissioner TerryLynn Stewart, the Board unanimously approved the October 8, 2018 Board of Commissioners' Meeting Minutes.

V. APPROVAL OF AGENDA

On motion by Commissioner Michael Brown and seconded by Commissioner Susan Palmer, the Board unanimously approved the November 19, 2018 Board of Commissioners' meeting agenda.

VI. CONSENT AGENDA

A. Correction to Voucher Reports for May, June and July 2018

May:

GENERAL PROPERTIES	
Bank Wires / ACH Withdrawals	7,062,675.84
	<hr/>
<i>Subtotal</i>	<i>7,062,675.84</i>
<hr/>	
Accounts Payable Vouchers	
Key Bank Checks #316008-#316501	4,590,911.55

KCHA Board of Commissioners'
November 19, 2018 Meeting Minutes
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Tenant Accounting Checks #10604-10625	3,506.79	
Commerce Bank Direct Payment	102,421.39	
	<i>Subtotal</i>	<u>4,696,839.73</u>
Payroll Vouchers		
Checks - #90891-#90925	45,886.60	
Direct Deposit	1,458,655.08	
	<i>Subtotal</i>	<u>1,504,541.68</u>
Section 8 Program Vouchers		
Checks - #621536-#621864	203,707.92	
ACH - #415530-#418309	13,032,012.51	
	<i>Subtotal</i>	<u>13,235,720.43</u>
Purchase Card / ACH Withdrawal	265,372.81	
	<i>Subtotal</i>	<u>265,372.81</u>
	GRAND TOTAL	26,765,150.49

June:

GENERAL PROPERTIES		
Bank Wires / ACH Withdrawals	4,718,982.39	
	<i>Subtotal</i>	<u>4,718,982.39</u>
Accounts Payable Vouchers		
Key Bank Checks #316502-#317137	5,646,727.17	
Tenant Accounting Checks #10626-#10644	3,514.75	
Commerce Bank Direct Payment	127,683.49	
	<i>Subtotal</i>	<u>5,777,925.41</u>
Payroll Vouchers		
Checks - #90926-#90994	74,870.50	
Direct Deposit	2,323,528.00	
	<i>Subtotal</i>	<u>2,398,398.50</u>
Section 8 Program Vouchers		
Checks - #621865-#622197	223,026.53	
ACH - #418310-#421016	13,006,043.20	
	<i>Subtotal</i>	<u>13,229,069.73</u>
Purchase Card / ACH Withdrawal	279,752.17	
	<i>Subtotal</i>	<u>279,752.17</u>
	GRAND TOTAL	26,404,128.20

July:

GENERAL PROPERTIES	
Bank Wires / ACH Withdrawals	3,720,732.99
<i>Subtotal</i>	<i>3,720,732.99</i>
Accounts Payable Vouchers	
Key Bank Checks #317138-#317645	4,631,556.52
Tenant Accounting Checks #10645-#10669	4,933.04
Commerce Bank Direct Payment	50,360.76
<i>Subtotal</i>	<i>4,686,850.32</i>
Payroll Vouchers	
Checks - #90995-91035	50,777.97
Direct Deposit	1,437,028.49
<i>Subtotal</i>	<i>1,487,806.46</i>
Section 8 Program Vouchers	
Checks - #622198-#622505	197,930.32
ACH - #421017-#423673	13,099,721.16
<i>Subtotal</i>	<i>13,297,651.48</i>
Purchase Card / ACH Withdrawal	264,559.83
<i>Subtotal</i>	<i>264,559.83</i>
GRAND TOTAL	23,457,601.08

B. Voucher Certification Reports for August and September 2018

August:

GENERAL PROPERTIES	
Bank Wires / ACH Withdrawals	5,503,591.41
<i>Subtotal</i>	<i>5,503,591.41</i>
Accounts Payable Vouchers	
Key Bank Checks #317646-#318212	6,204,686.47
Tenant Accounting Checks #10670-#10693	6,742.61
Commerce Bank Direct Payment	88,099.89
<i>Subtotal</i>	<i>6,299,528.97</i>
Payroll Vouchers	
Checks - #91036-#91089	59,652.28
Direct Deposit	1,452,282.24
<i>Subtotal</i>	<i>1,511,934.52</i>
Section 8 Program Vouchers	
Checks - #622508-#622821	177,170.90
ACH - #423674-#426406	13,375,649.14

	<i>Subtotal</i>	<u>13,552,820.04</u>
Purchase Card / ACH Withdrawal		190,503.22
	<i>Subtotal</i>	<u>190,503.22</u>
	GRAND TOTAL	27,058,378.16
September:		
GENERAL PROPERTIES		
Bank Wires / ACH Withdrawals		5,605,089.47
	<i>Subtotal</i>	<u>5,605,089.47</u>
Accounts Payable Vouchers		
Key Bank Checks #38213-#318691		4,786,751.80
Tenant Accounting Checks #10691-#10707		30,013.29
Commerce Bank Direct Payment		55,953.34
	<i>Subtotal</i>	<u>4,872,718.43</u>
Payroll Vouchers		
Checks - #91090-91136		53,470.58
Direct Deposit		1,415,219.34
	<i>Subtotal</i>	<u>1,468,689.92</u>
Section 8 Program Vouchers		
Checks - #622822-#623132		238,191.07
ACH - #426407-#429039		13,284,933.11
	<i>Subtotal</i>	<u>13,523,124.18</u>
Purchase Card / ACH Withdrawal		265,350.72
	<i>Subtotal</i>	<u>265,350.72</u>
	GRAND TOTAL	25,734,972.72

C. **Resolution No. 5606:** Unwind of Wonderland Estates and Tall Cedars Manufactured Home Parks New Markets Tax Credit Financing

D. **Resolution No. 5607:** Authorizing Investment of Housing Authority of the County of King Monies in the Local Government Investment Pool

On motion by Commissioner Stewart and seconded by Commissioner Brown, the Board unanimously approved the consent agenda.

VII. RESOLUTONS FOR DISCUSSION & POSSIBLE ACTION

A. **Resolution No. 5608: Authorizing the Purchase of a Portfolio of Five Section 8-Assisted Properties**

Addressed Consecutively with Resolution No. 5609

B. **Resolution No. 5609: Authorizing the Authority to Enter Into an Agreement With Seattle Housing Authority For the Authority to Acquire and Operate a Portfolio of Three Section 8-Assisted Properties Located Within the City of Seattle**

Tim Walter, Senior Director of Development and Asset Management, provided an overview of the acquisition, including the location and layouts of each property. Stephen Norman reiterated the need to preserve the buildings as low-income housing; and that this arrangement serves as the best option to preserve the buildings' affordability.

Questions of Commissioners' were answered by staff.

Commissioner Stewart reiterated the risk of developers not maintaining the buildings as low income housing and the affect it would have on residents. Commissioner Palmer recused herself from vote due to professional connection with seller.

On motion by Commissioner Stewart and seconded by Commissioner Brown, the Board unanimously approved Resolutions No. 5608 and No. 5609.

C. **Resolution No. 5610: Issuance of a Tax-Exempt Revenue Note in a Principal Amount of Not to Exceed \$32,500,000, for the Purpose of Refinancing Three Existing Multifamily Housing Projects; and Determining Related Matters**

Tim Walter provided an overview of the issuance of notes and use of funding raised.

Questions of Commissioners' were answered by staff.

On motion by Commissioner Palmer and seconded by Commissioner Brown, the Board unanimously approved Resolution No. 5610.

D. **Resolution No. 5611: Issuance of Revenue Bonds of the Authority in the Aggregate Principal Amount of Not to Exceed \$15,000,000, the Proceeds of Which Will be Used to Make a Loan to Somerset Gardens Apartments LLLP, a**

Washington Limited Liability Limited Partnership of Which the Authority is the Sole General Partner; and Determining Related Matters.

Tim Walter provided an overview of the background of financing for Somerset Gardens, the purpose of the refinancing, and details of bonds to be issued.

Questions of Commissioners' were answered by staff.

On motion by Commissioner Stewart and seconded by Commissioner Palmer, the Board unanimously approved Resolution No. 5611.

- E. **Resolution No. 5612:** Acceptance of Washington State Auditor's Office Report on Financial Statements and Federal Single Audit (No. 1022298) and the Accountability Audit Report (No. 1022556), both for the Period Ended December 31, 2017

Craig Violante, Director of Finance, provided an overview of the focus of each audit and reported there were no findings.

On motion of Commissioner Stewart and seconded by Commissioner Brown, the Board unanimously approved Resolution No. 5612.

VIII. BRIEFINGS AND REPORTS

- A. Third Quarter CY18 Financial Report:

Craig Violante provided a summary of the financial status of the Authority.

- B. CY 2019 Budget Briefing

Jill Stanton, Deputy Executive Director, provided a briefing of the CY2019 Budget priorities. Draft budget will be provided for vote next meeting.

- C. Third Quarter CY18 Write-off Report

The report was reviewed with no questions

- D. Third Quarter CY18 Procurement Report

The report was reviewed with no questions

IX. EXECUTIVE SESSION

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

Chair Barnes announced the start of the Executive Session at 9:50 a.m.

The meeting of the Board of Commissioners was reconvened at 10:15 a.m. by Chair Barnes.

X. EXECUTIVE DIRECTOR'S REPORT

King County Council budget includes \$40 million to support KCHA's workforce acquisition program. KCHA has received an additional 106 vouchers representing \$1.5 million per year.

X. KCHA IN THE NEWS

None.

XI. COMMISSIONER COMMENTS

Dashboard and information much appreciated; info on the All staff and employee insight informative.

XII. ADJOURNMENT

Chair Barnes adjourned the meeting at 10:25 a.m.

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

DOUGLAS J. BARNES, Chair
Board of Commissioners

STEPHEN J. NORMAN
Secretary

T A B N U M B E R




To: Board of Commissioners

From: Linda Riley, Controller

Date: November 30, 2018

Re: VOUCHER CERTIFICATION FOR OCTOBER 2018

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 30, 2018

Bank Wires / ACH Withdrawals	4,450,403.89
<i>Subtotal</i>	<i>4,450,403.89</i>
Accounts Payable Vouchers	
Key Bank Checks - #318692-#319269	6,866,149.89
Tenant Accounting Checks - #10709-#10730 (10708 error check# not used)	3,607.62
Commerce Bank Direct Payment	89,882.01
<i>Subtotal</i>	<i>6,959,639.52</i>
Payroll Vouchers	
Checks - #91137-91192	64,593.08
Direct Deposit	1,425,519.85
<i>Subtotal</i>	<i>1,490,112.93</i>
Section 8 Program Vouchers	
Checks - #623133-#623453	210,627.20
ACH - #429040-#431717	13,568,249.60
<i>Subtotal</i>	<i>13,778,876.80</i>
Purchase Card / ACH Withdrawal	242,255.17
<i>Subtotal</i>	<i>242,255.17</i>
GRAND TOTAL	\$26,921,288.31

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

FROM: Wen Xu, Director of Asset Management

SUBJECT: VOUCHER CERTIFICATION FOR OCTOBERR 2018

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

Date

Property Oct-18	Wired to Operating Account(s) for Obligations of Property			Notes:
	Date	\$	Claim	
<u>Alpine Ridge</u>	10/4/2018	\$3,364.14	Payroll	
	10/11/2018	\$75,000.00	Excess Cash to KCHA	
	10/11/2018	\$5,213.93	A/P	
	10/18/2018	\$3,702.28	Payroll	
	10/25/2018	\$18,985.30	A/P	
<u>Arbor Heights</u>	10/4/2018	\$6,342.44	Payroll	
	10/11/2018	\$25,000.00	Excess Cash to KCHA	
	10/11/2018	\$10,955.62	A/P	
	10/18/2018	\$7,411.07	Payroll	
	10/25/2018	\$12,623.38	A/P	
<u>Aspen Ridge</u>	10/4/2018	\$5,311.50	Payroll	
	10/11/2018	\$150,000.00	Excess Cash to KCHA	
	10/11/2018	\$11,460.84	A/P	
	10/18/2018	\$4,684.26	Payroll	
	10/25/2018	\$37,681.30	A/P	
<u>Auburn Square</u>	10/4/2018	\$9,236.10	Payroll	
	10/11/2018	\$200,000.00	Excess Cash to KCHA	
	10/11/2018	\$29,780.11	A/P	
	10/18/2018	\$8,665.52	Payroll	
	10/25/2018	\$30,597.19	A/P	
<u>Carriage House</u>	10/4/2018	\$11,956.36	Payroll	
	10/11/2018	\$9,580.39	A/P	
	10/18/2018	\$11,636.19	Payroll	
	10/25/2018	\$144,267.81	A/P	
<u>Cascadian</u>	10/4/2018	\$14,471.97	Payroll	
	10/11/2018	\$420,000.00	Excess Cash to KCHA	
	10/11/2018	\$19,049.47	A/P	
	10/18/2018	\$12,241.23	Payroll	
	10/19/2018	\$24,706.69	Bank Fees	
<u>Colonial Gardens</u>	10/25/2018	\$26,584.67	A/P	
<u>Colonial Gardens</u>	10/4/2018	\$3,592.61	Payroll	
	10/11/2018	\$150,000.00	Excess Cash to KCHA	
	10/11/2018	\$20,485.48	A/P	
	10/18/2018	\$2,810.45	Payroll	
	10/25/2018	\$4,004.86	A/P	
<u>Fairwood</u>	10/4/2018	\$39,859.40	Payroll	
	10/11/2018	\$245,000.00	Excess Cash to KCHA	
	10/11/2018	\$17,801.52	A/P	
	10/18/2018	\$6,487.80	Payroll	
	10/25/2018	\$9,923.83	A/P	
<u>Heritage Park</u>	10/26/2018	\$7,888.00	A/P	
	10/4/2018	\$8,424.04	Payroll	
	10/11/2018	\$150,000.00	Excess Cash to KCHA	
	10/11/2018	\$36,655.54	A/P	
	10/18/2018	\$8,543.49	Payroll	
<u>Laurelwood</u>	10/25/2018	\$22,958.53	A/P	
	10/4/2018	\$844.14	Deposit Correction	
	10/4/2018	\$8,788.69	Payroll	
	10/11/2018	\$135,000.00	Excess Cash to KCHA	
	10/11/2018	\$22,439.96	A/P	
<u>Meadows</u>	10/18/2018	\$8,541.06	Payroll	
	10/25/2018	\$31,703.36	A/P	
	10/4/2018	\$5,957.01	Payroll	
	10/11/2018	\$110,088.83	A/P	
	10/11/2018	\$35,000.00	Excess Cash to KCHA	
<u>Newporter</u>	10/18/2018	\$7,170.41	Payroll	
	10/25/2018	\$20,411.36	A/P	
	10/4/2018	\$8,651.44	Payroll	
	10/11/2018	\$400,000.00	Excess Cash to KCHA	
	10/11/2018	\$26,548.50	A/P	
<u>Newporter</u>	10/18/2018	\$8,743.61	Payroll	
	10/25/2018	\$26,266.14	A/P	

Overlake TOD	10/4/2018	\$ 343,099.89	BBF	
Parkwood	10/4/2018	\$5,258.72	Payroll	
	10/11/2018	\$100,000.00	Excess Cash to KCHA	
	10/11/2018	\$52,711.58	A/P	
	10/18/2018	\$4,892.57	Payroll	
	10/25/2018	\$26,239.21	A/P	
Southwood Square	10/4/2018	\$5,970.05	Payroll	
	10/11/2018	\$121,325.34	A/P	
	10/11/2018	\$50,000.00	Excess Cash to KCHA	
	10/18/2018	\$6,648.92	Payroll	
	10/25/2018	\$14,867.56	A/P	
Timberwood	10/4/2018	\$15,706.61	Payroll	
	10/11/2018	\$400,000.00	Excess Cash to KCHA	
	10/11/2018	\$35,284.70	A/P	
	10/18/2018	\$15,923.65	Payroll	
	10/25/2018	\$81,381.71	A/P	
Walnut Park	10/4/2018	\$7,248.21	Payroll	
	10/11/2018	\$400,000.00	Excess Cash to KCHA	
	10/11/2018	\$46,100.49	A/P	
	10/18/2018	\$7,699.48	Payroll	
	10/25/2018	\$26,115.42	A/P	
Windsor Heights	10/4/2018	\$16,523.52	Payroll	
	10/11/2018	\$475,000.00	Excess Cash to KCHA	
	10/11/2018	\$49,740.74	A/P	
	10/18/2018	\$17,229.17	Payroll	
	10/25/2018	\$28,426.04	A/P	
Woodland North	10/4/2018	\$4,560.08	Payroll	
	10/11/2018	\$200,000.00	Excess Cash to KCHA	
	10/11/2018	\$17,692.81	A/P	
	10/18/2018	\$5,696.12	Payroll	
	10/25/2018	\$17,900.73	A/P	
Woodridge Park	10/4/2018	\$23,051.11	Payroll	
	10/11/2018	\$150,000.00	Excess Cash to KCHA	
	10/11/2018	\$39,372.93	A/P	
	10/18/2018	\$24,101.28	Payroll	
	10/25/2018	\$20,755.29	A/P	
Ballinger Commons	10/3/2018	\$138,068.32	A/P & Payroll	
	10/11/2018	\$500,000.00	Excess Cash to KCHA	
	10/11/2018	\$500,000.00	Excess Cash to KCHA	
	10/17/2018	\$205,228.44	A/P & Payroll	
	10/31/2018	\$76,076.39	A/P & Payroll	
Glisan Square	10/3/2018	\$34,819.62	A/P & Payroll	
	10/11/2018	\$250,000.00	Excess Cash to KCHA	
	10/17/2018	\$54,733.65	A/P & Payroll	
	10/31/2018	\$93,150.53	A/P & Payroll	
	10/3/2018	\$27,868.95	A/P & Payroll	
Meadowbrook	10/11/2018	\$100,000.00	Excess Cash to KCHA	
	10/17/2018	\$39,148.28	A/P & Payroll	
	10/31/2018	\$39,010.11	A/P & Payroll	
	10/3/2018	\$77,174.12	A/P & Payroll	
	10/17/2018	\$52,009.72	A/P & Payroll	
Villages at South Station	10/31/2018	\$70,711.83	A/P & Payroll	
	10/4/2018	\$91,123.83	A/P & Payroll	
	10/18/2018	\$147,925.30	A/P & Payroll	
Cottonwood	10/4/2018	\$22,299.84	A/P & Payroll	
	10/11/2018	\$85,000.00	Excess Cash to KCHA	
	10/18/2018	\$19,220.15	A/P & Payroll	
Cove East	10/4/2018	\$41,744.42	A/P & Payroll	
	10/11/2018	\$300,000.00	Excess Cash to KCHA	
	10/18/2018	\$28,302.09	A/P & Payroll	
	10/22/2018	\$16,611.78	A/P	
Bellepark East	10/3/2018	\$4,939.18	A/P	
	10/11/2018	\$24,069.46	A/P & Payroll	
	10/11/2018	\$200,000.00	Excess Cash to KCHA	
	10/17/2018	\$5,151.58	A/P	
	10/24/2018	\$25,277.91	A/P & Payroll	
	10/31/2018	\$7,007.49	A/P	
Landmark	10/11/2018	\$54,314.12	A/P & Payroll	
	10/11/2018	\$350,000.00	Excess Cash to KCHA	
	10/24/2018	\$35,682.91	A/P & Payroll	
	10/31/2018	\$1,262.63	A/P	

Woodside East	10/3/2018	\$9,496.67	A/P	
	10/11/2018	\$26,453.53	A/P & Payroll	
	10/11/2018	\$200,000.00	Excess Cash to KCHA	
	10/18/2018	\$22,401.28	A/P	
	10/24/2018	\$105,009.49	A/P & Payroll	
	10/31/2018	\$722.20	A/P	
Rainier View I	10/4/2018	\$1,515.60	A/P	
	10/11/2018	\$12,074.13	A/P	
	10/18/2018	\$18,312.03	A/P	
	10/25/2018	\$2,301.44	A/P	
Rainier View II	10/11/2018	\$9,092.47	A/P	
	10/18/2018	\$9,502.99	A/P	
Si View	10/4/2018	\$3,306.56	A/P	
	10/11/2018	\$6,132.01	A/P	
	10/18/2018	\$7,734.61	A/P	
Vashon Terrace	10/11/2018	\$20,000.00	Excess Cash to KCHA	
	10/17/2018	\$5,802.51	A/P & Payroll	
Total:		\$ 9,976,413.92		

T A B N U M B E R

3



TO: Board of Commissioners

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

Date December 10, 2018

Re: Resolution 5614 authorizing the issuance of the Authority's Non-Revolving Line of Credit Revenue Note, 2019 (Riverstone Apartments) to finance acquisition of the Riverstone Apartments.

At the October 8, 2018 Board Meeting, the Board of Commissioner's authorized the acquisition of the Riverstone Apartments in Federal Way (Resolution #5605). The sale is expected to close on January 31, 2019. As described in the Riverstone Apartments Project Profile, KCHA intends to acquire the property with a short-term line of credit and then convert the financing to long-term permanent financing in mid-to-late 2019. A copy of the Project Profile has been attached for reference.

The short-term financing will be structured as a non-revolving line of credit ("LOC") with KeyBank Government Finance, Inc. in the amount of \$70 million. The LOC has a one year maturity and a .10% origination fee (\$70,000). Interest payments are interest only and the interest rate is indexed to the 3 month LIBOR rate and is equal to (3 month LIBOR * .7901%) + .67% which produces an indicative rate of 2.87% (based on the current 3 month LIBOR rate of 2.77%).

The Authority's permanent financing plan is consistent with the financing outlined in the Project Profile previously reviewed by the Board (attached) and is anticipated to be a combination of long-term tax-exempt bond financing and a grant or loan from King County's lodging tax revenue reserved for TOD projects that provide affordable housing for households earning less than 80% of the area median income.

Staff expects project net operating revenue to support approximately \$50 million in permanent debt with the balance (approximately \$20 million) coming from King County's TOD fund. KCHA is in preliminary discussions with King County's Housing Finance Division regarding its use of a recent King County 2019 budget commitment of \$30 million to KCHA as a loan set-aside to KCHA for workforce housing TOD acquisitions as potential funding for Riverstone.

Staff recommends passage of Resolution #5614.

Riverstone Apartments Project Profile

Riverstone Apartments is a large multifamily transit oriented development (TOD) community located in Federal Way across the street from the Star Lake Park and Ride which will be converted to the S. 272nd St. light rail station in 2024. Built in 1985, the development consists of 31 two and three-story buildings with 308 apartments (40 studio units with 1 bath, 80 one-bedroom units with 1 bath, 76 two-bedroom units with 1 bath, 80 two-bedroom units with two baths and 32 three-bedroom units), a leasing office/community building and swimming pool. KCHA has entered into a purchase and sale agreement with the current owner for \$71,268,000 and has begun pre-acquisition due diligence including title research and a physical condition assessment of the buildings.

Purchase Status

Riverstone Apartments is owned by FSC Associates, which acquired the property in 2008. The property was not listed for sale on the open market but through direct negotiation with the owner KCHA has entered into a purchase and sale agreement (“PSA”) to acquire the property. The agreement to acquire the property is subject to approval by KCHA’s the Board of Commissioners and the satisfaction of the Executive Director with the results of KCHA’s due diligence review.

The terms of the PSA include a sales price of \$71,268,000 (\$231,390/unit) and a due diligence inspection window of 30 days in order for KCHA to complete a thorough review of title, physical condition and overall feasibility of the project. An earnest money deposit of \$1.5 million is required by the seller (\$750,000 at the time of the execution of the PSA and an additional \$750,000 upon waiver of contingencies. At that point the deposit becomes non-refundable. The waiver of contingencies must occur on or before October 16th and the anticipated closing date is January 22, 2019.

Due Diligence Status

KCHA has ordered an appraisal, capital needs assessment, Phase I Environmental assessment and a land survey from third party consultants. The due diligence inspection reports are expected to be completed by mid-October. Based on initial property inspections and assessments by KCHA staff, the property appears to be in average to above average condition with no observable property wide or systemic defects.

The property is currently managed by Westwood Management which is a related party to the owner.

Property Description & Building Condition

Riverstone is a 308 multifamily development on a rectangular-shaped, 16 acre parcel, located at 27314 24th Pl. S. in Federal Way. It is a multifamily residential use consistent with current zoning.

The property was developed in 1985 and consists of 31 multi-family buildings with a community clubhouse, outdoor playground/BBQ, swimming pool and landscaped areas. The wood frame buildings, totaling 230,900 square feet, are two and three-story structures with pitched roofs and

exterior stairways to second and third story units.

KCHA's Capital Construction and Asset Management Construction staff, along with a third party consultant, have inspected the property. Inspections included both the interior of the residential units and the exteriors of the buildings. These inspections allow us to gauge the extent of short and longer term improvements anticipated to be necessary as well as the approximate cost of these improvements. The property was judged to be in average to above average condition without systemic defects or repair needs, although numerous small repair items typical for this age of complex were identified. The roofs have an expected remaining life of 5-7 years.

Unit Configuration

The unit mix includes:

- 40 studio, one bath units of approximately 500 square feet each,
- 80 one-bedroom, one bath units of approximately 600 square feet each,
- 76 two-bedroom, one bath units of approximately 775 square feet each,
- 80 two-bedroom, two bath units of approximately 900 square feet,
- 32 three bedroom, two bath units of approximately 1,000 square feet.

Neighborhood Description

The property is located in Federal Way and is approximately one block from the planned S. 272nd light rail station which is part of Sound Transit's Linked Light Rail Extension from the SeaTac Angle Lake Station to Federal Way. The S. 272nd Station along with two other stations, the Kent-Des Moines and the Federal Way Transit Center stations, are expected to open in 2024. Nearby uses include several large apartment complexes and single family homes, with retail, business and public uses located about 5 blocks away along Highway 99. The light rail station is located immediately northeast of the property across S. 272nd Street on the west side of I-5. Riverstone is slightly downhill and over 1 block away from I-5, which is obscured by trees and the Mark Twain elementary school to the east. Riverstone does not appear to be impacted by freeway noise.

Summary of Subject Rent Roll

The following table presents the summary of the subject's rent roll as of September 25, 2018.

Rent Roll Summary							
Unit Type	Unit Count	Rent Min.	Rent Max.	Average	Avg. Rent/SF	Size	Vacancy
Studio	40	\$994	\$1,136	\$1,076	\$1.96	550 SF	3%
1 BR/1 BA	80	\$1,091	\$1,426	\$1,212	\$1.86	650 SF	1%
2 BR/1 BA	76	\$1,241	\$1,665	\$1,366	\$1.61	850 SF	1%
2 BR/2 BA	80	\$1,210	\$1,766	\$1,470	\$1.55	950 SF	5%
3 BR/2 BA	32	\$1,550	\$1,921	\$1,706	\$1.48	1,150 SF	0%
Total	308		Average:	\$1,350		816 SF	2%

Strategic Rationale for Acquisition

KCHA's Board of Commissioner's has identified the acquisition and development of affordable housing near or adjacent to light rail stations and other high volume public transit stops (transit oriented development or "TOD") as a priority in order to address a shortage of affordable housing

with easy access to reliable public transportation.

Although the site is not within a “high opportunity neighborhood”, which an important criterion informing KCHA’s property acquisition approach, the Board of Commissioners’ direction has broadened acquisition criteria to include locations that are easily accessible to major employment centers, services, and educational resources by mass transit. This site fits these criteria. Regional approaches to growth planning and affordable housing development emphasize preservation and creation of affordable housing opportunities within mass transit corridors. The acquisition of Riverstone supports this policy approach. Current market trends show significant increases in rental costs around light rail stations and we anticipate that over time lower income working households and elderly individuals will be priced out of housing proximate to light rail stations. This acquisition is intended to lock in this affordability before rising rents push acquisition costs even higher

Proposed Financing

Interim Financing - KCHA anticipates acquiring the property with proceeds from a draw on a new line of credit from KeyBank. The line of credit would bear an indicative variable interest rate of approximately 2.75 % and be subject to future changes in the LIBOR rate. KCHA has received a financing commitment from KeyBank for a line of credit sufficient to close the purchase.

Permanent Financing – Permanent financing for the Riverstone acquisition would be a combination of long-term tax-exempt bond financing and a grant or loan from King County’s lodging tax revenue reserved for TOD projects that provide affordable housing for households earning less than 80% of the area median income. Staff expects project net operating revenue to support approximately \$50 million in permanent debt with the balance (approximately \$22 million) coming from King County’s TOD fund. Staff is in preliminary discussions with King County’s Housing Finance Division regarding a possible set aside of TOD funding for Riverstone and other future TOD related acquisitions.

Risks & Mitigation

Acquisition Risks & Mitigation

- (Risk) The purchase price for the property is above its true market value and KCHA could risk overpaying for the property.
- (Mitigation) As part of the due diligence process, KCHA has ordered an appraisal of the property by an MAI appraiser licensed to do business in the State of Washington. The appraiser has provided KCHA with a draft appraisal that supports the proposed purchase price and values the property at \$71,500,000.
- (Risk) The condition of the property has title or physical/environmental defects that are unforeseen or unknown.
- (Mitigation) KCHA has reviewed Chicago Title’s preliminary title commitment and has determined that at closing, KCHA will be able to obtain a full owners’ policy insuring clean title with extended coverage. KCHA is also conducting extensive inspections and environmental due diligence on the property. Preliminary inspections and reports indicate no serious defects in the property although final reports will not be available until early October. KCHA will not waive contingency until these reports have been received and reviewed.

Financing Risk & Mitigation

- (Risk) KCHA has insufficient credit capacity within its line(s) of credit for the initial acquisition financing.
- (Mitigation) KCHA has received a proposal for a new line of credit from KeyBank in an amount sufficient to cover the full cost of acquisition. Subject to Board approval to open the line of credit, funds would be available to KCHA by the closing date of the sale.
- (Risk) After acquisition, KCHA will not be able to fully refinance the line of credit with permanent long-term financing.
- (Mitigation) Key Bank's proposal to provide interim financing is premised on underwriting long-term bonds in an amount, when combined with other general revenues of KCHA, sufficient to take out the line of credit. Initial underwriting indicates that project revenues (net operating income from Riverstone) will support about \$50 million of the long-term take out financing. KCHA's AA Issuer Credit Rating and/or Credit Enhancement from King County that will provide a AAA rating, together provide a high degree of certainty that the long term financing can be provided. KCHA is in discussions with King County's Housing Finance Division regarding a set-aside of TOD funds to provide the \$22 million in equity gap financing through a grant or a forgivable or low interest mezzanine loan.
- (Risk) King County is unable to provide TOD gap financing and KCHA must use other KCHA internal resources to support an additional \$22 million in long term bonds.
- (Mitigation) KCHA currently has sufficient corporate revenues to support the long-term debt service for the Riverstone "gap" financing. Initial analysis indicates that this increase in debt, given the associated net income, would not affect our financial metrics to a point of jeopardizing our overall S&P rating.
- (Risk) Increases in interest rates will reduce the amount that KCHA can borrow for long-term take out financing.
- (Mitigation) Increases in interest rates will decrease the amount of debt that can be supported by project revenues but KCHA can increase the amount of the no or low cost gap financing provided through King County. Although in a very preliminary stage, the County has indicated an ability to provide KCHA up to \$50 million, which will be sufficient to cover any additional gap created by rising interest rates. As an alternative, KCHA can shorten the maturities of some of the debt instruments to reduce both the overall interest rate and resulting annual debt service payments.
- (Risk) Softening of the market in south King County reduces revenues necessary to support the acquisition debt incurred by KCHA.
- (Mitigation) Location of this housing adjacent to a light rail station ensures that this is a property that will maintain market viability even in the face of declining rents in the south county region as general.

Rehab Risk & Mitigation

- (Risk) Additional repair and improvement costs are needed beyond what is visible from due diligence inspections.
- (Mitigation) KCHA is in the process of completing its due diligence of the property. In addition to outside inspectors KCHA is utilizing its own maintenance mechanics, who have extensive experience with the repair needs of this type of housing. Staff estimates the property will require less than \$500,000 in short-term repairs and that routine repairs and replacements at the property can be made out of on-going property operations. Unforeseen repairs not able to be paid from property operations would be funded from additional draws on a KCHA line of

credit or from KCHA reserves. KCHA has extensive experience in the assessment and upgrading of this type of property.

HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5614

A RESOLUTION of the Board of Commissioners of the Housing Authority of the County of King providing for the issuance of the Authority's Non-Revolving Line of Credit Revenue Note, 2019 (Riverstone Apartments), in the principal amount of not to exceed \$70,000,000, to finance the acquisition of a 308-unit apartment complex located in Federal Way, Washington, known as Riverstone Apartments; determining the form, terms and covenants of the note; creating a note fund; approving the sale and providing for the delivery of the note to Key Government Finance, Inc. or an affiliate thereof; authorizing and directing appropriate officers of the Authority to negotiate, execute and deliver such other documents as are useful or necessary to the purposes of this resolution; and determining related matters.

Adopted December 17, 2018

This document was prepared by:

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

WHEREAS, RCW 35.82.070(5) provides that a housing authority may, among other things and if certain conditions are met, "own, hold, and improve real or personal property . . .," "purchase, lease, obtain options upon . . . any real or personal property or any interest therein" and "lease or rent any dwellings, houses, accommodations, lands, buildings, structures or facilities embraced in any housing project"; and

WHEREAS, RCW 35.82.070(2) provides that a housing authority may acquire and provide for the construction, reconstruction, improvement, alternation or repair of housing projects; and

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

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

WHEREAS, RCW 35.82.070(1) permits a housing authority to “make and execute contracts and other instruments . . . necessary or convenient to the exercise of the powers of the authority”; and

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

WHEREAS, the Authority has entered into an agreement to purchase a 308-unit apartment complex located at 27314 24th Avenue South, Federal Way, Washington, known as the Riverstone Apartments, to be a housing project of the Authority (the “Project”); and

WHEREAS, the City Council of the City of Federal Way, Washington (the “City”), the governing body of the City, adopted its Resolution No. 91-84 on October 15, 1991, declaring that there is a need for the Authority to function within the City; and

WHEREAS, the Board of Commissioners of the Authority has determined that it is necessary and advisable that the Authority issue the Note (as hereinafter defined), in a principal amount not to exceed \$70,000,000 to finance all or a portion of the costs of acquiring the Project; and

WHEREAS, Key Government Finance, Inc. or an affiliate thereof (the “Lender”) has proposed to extend a non-revolving line of credit evidenced by a line of credit note of the Authority on the terms set forth in this resolution to provide money for that purpose; NOW, THEREFORE,

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

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

“Act” means chapter 35.82 of the Revised Code of Washington.

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

“Authorized Officers” means the Executive Director of the Authority and any Deputy Executive Director of the Authority.

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

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

“County” means King County, Washington.

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

“Lender” means Key Government Finance, Inc., or an affiliate thereof, as registered owner of the Note.

“Note” means the Authority’s Non-Revolving Line of Credit Revenue Note, 2019 (Riverstone Apartments).

“Note Fund” means the Authority’s Non-Revolving Line of Credit Revenue Note Fund, 2019 (Riverstone Apartments), created by this resolution for the purpose of paying principal of and interest on the Note.

“Note Register” means the books or records maintained by the Note Registrar containing the name and mailing address of the Registered Owner of the Note.

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

“Project” means, depending on the context, (1) acquisition of the apartment complex located at 27314 24th Avenue South, Federal Way, Washington, known as the Riverstone Apartments, or (2) the Riverstone Apartments.

“Proposal Letter” means the proposal letter to the Authority from the Lender provided on September 28, 2018, as it may be amended, proposing to purchase the Note on the terms set forth therein and herein.

Section 2. Authorization of the Project; Authorization and Description of the Note.

The Board approves the acquisition of the Project. The Board declares the Project to be a “housing project” of the Authority for purposes of the Act. The Authority shall issue the Note in a principal amount not to exceed \$70,000,000 for the purpose of providing funds with which to pay and/or reimburse the Authority for all or part of the costs of the Project. Such Note financing is declared and determined to be important for the feasibility of the Project. The Board finds that it is in the best interest of the Authority to issue the Note for the purpose set forth in this resolution.

Section 3 Description of the Note. The Note shall be called the Authority’s Non-Revolving Line of Credit Revenue Note, 2019 (Riverstone Apartments); shall be in a principal amount of not to exceed \$70,000,000; shall be dated its date of delivery; shall be numbered R-1; and shall mature not more than one year from its date of issue. The Note shall bear interest

payable on such dates and at such rate or rates selected by the Authority as described in the Proposal Letter (which may include, without limitation, a variable rate based London interbank offered rate), shall mature at such time (subject to the limitation set forth above), shall have such prepayment or redemption provisions and shall have such other provisions consistent with the purposes of this resolution as are set forth in the Note. The Authority finds that the fixing of the interest rate index described in the Proposal Letter is in the best interest of the Authority. Interest on the Note shall be computed on the basis on a 360 day year with twelve 30-day months.

The Note shall be subject to redemption, in whole, on dates set forth in the Note upon 30 days' prior notice (or such shorter period acceptable to the Lender), at a redemption price equal to par plus accrued interest.

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

At the election of the Lender, the interest rate on the Note will increase by 400 basis points (4.00%) during the continuance of an Event of Default. Further, if an Event of Default occurs then, at the option of the Lender, the principal of and interest on the Note shall become immediately due and payable. "Event of Default" means the declaration by the Lender of an event of default as a result of a determination by the Lender that:

- (i) there has been a failure to pay principal or interest on the Note when due, as provided in the Note;
- (ii) there has been a failure by the Authority to comply with any of its obligations, or to perform any of its duties, under the Note, which failure continues, and

is not cured, for a period of more than 60 days after the Lender has made written demand on the Authority to cure such failure;

(iii) there has been a material misrepresentation to the Lender by the Authority in the purchase of the Note, as reasonably concluded by the Lender after investigation and discussion with the Authority;

(iv) any event of default under any other debt or capital lease obligation with Lender or an affiliate of Lender under which the Authority is an obligor where there is outstanding, owing or committed an aggregate amount in excess of \$500,000 has occurred, if such default continues, and is not cured, or otherwise waived by the Lender and such affiliate within 15 days after written demand is made on the Authority to cure such default;

(v) there has been the Authority shall (a) apply for or consent to the appointment of a receiver, trustee, custodian or liquidator of the Authority, or of all or a substantial part of the assets of the Authority, (b) be unable, fail or admit in writing its inability generally to pay its debts as they become due, (c) make a general assignment for the benefit of creditors, (d) have an order for relief entered against it under applicable federal bankruptcy law, or (e) file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or taking advantage of any insolvency law or any answer admitting the material allegations of a petition filed against the Authority in any bankruptcy, reorganization, moratorium or insolvency proceeding; or

(vi) an order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition or appointing a receiver, trustee, custodian or liquidator

for the Authority or of all or a substantial part of the assets of the Authority, in each case without its application, approval or consent, and such order, judgment or decree shall continue unstayed and in effect for any period of 30 consecutive days.

Notwithstanding the foregoing, as to item (iv), if the default is not a payment default and is not associated with the Authority's material ability to pay, when due, its obligations to the Lender (or affiliate of Lender, if applicable), the Authority may have up to 180 days to cure such default by providing the Lender and the affiliate of Lender, if applicable, a written plan within 15 days after written notice of default is made to the Authority, describing the Authority's planned timeframe for the cure of the default. Item (iv) is not intended to preempt the terms set forth in any other agreement relating to borrowing money, lease financing of property, or provision of credit.

Section 4. Authorization for Extension and Modification of the Note. The Authorized Officers, and each of them acting alone, are authorized on behalf of the Authority to negotiate the terms of one or more extensions of maturity date and/or modifications of the terms of the Note with the Lender. The Authorized Officers, and each of them acting alone, are authorized, without further action of the Board of the Authority, to extend the maturity date of the Note to any date on or before December 31, 2028, and/or to modify the interest rate or interest rate formula applicable to the Note, if such Authorized Officer determines that such extension and/or modification is in the best interest of the Authority, all so long as no other material terms of the Note is revised (unless otherwise authorized by the Board of the Authority). The Authorized Officers, and each of them acting alone, are authorized to do everything necessary for the execution and delivery of such documents as are useful or necessary to such extension of maturity and/or modification of interest rate or interest rate formula. An Authorized Officer's

execution of documents in connection with the modification and/or extension of the Note will constitute conclusive evidence of his or her approval of the extensions, modifications and/or other terms described therein and the approval by the Authority of such extensions, modifications and/or other terms.

Section 5. Note Registrar; Registration and Transfer of the Note. The Executive Director of the Authority shall serve as Note Registrar for the Note. The Note Registrar shall keep, or cause to be kept, at his or her office in Tukwila, Washington, sufficient books for the registration of the Note (the “Note Register”), which shall contain the name and mailing address of the registered owner of the Note. The Note Registrar is authorized, on behalf of the Authority, to authenticate and deliver the Note in accordance with the provisions of the Note and this resolution, to serve as the Authority’s paying agent for the Note and to carry out all of the Note Registrar’s powers and duties under this resolution.

The Note shall be issued only in registered form as to both principal and interest and recorded on the Note Register. The Note may not be assigned or transferred by the Lender, except that the Lender may assign or transfer the Note to any successor to the business and assets of the Lender.

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

Section 7. Note Fund; Security for the Note. The Note Fund is hereby established as a special fund of the Authority and is to be known as the Non-Revolving Line of Credit Revenue Note Fund, 2019 (Riverstone Apartments). The Note Fund shall be drawn upon for the sole purpose of paying the principal of and interest on the Note. The Authority pledges to deposit General Revenues into the Note Fund in amounts sufficient to pay the principal of and interest on the Note when due. This pledge of General Revenues shall be valid and binding from the time when it is made. The General Revenues so pledged and thereafter received by the Authority shall immediately be subject to the lien of the pledge without any physical delivery thereof or further action, and lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract, or otherwise against the Authority, irrespective of whether the parties have notice thereof.

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

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

other fund of the Authority other than the Note Fund, or to any other receipts, revenues or properties of the Authority other than as described herein and in the Note. The Authority has no taxing power.

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

Section 8. Lost, Stolen or Destroyed Note. In case the Note shall be lost, stolen or destroyed after delivery to the Registered Owner, the Note Registrar may execute and deliver a new Note of like date and tenor to the Registered owner upon the Registered Owner paying the expenses and charges of the Authority and upon filing with the Note Registrar evidence satisfactory to the Note Registrar that such Note was actually lost, stolen or destroyed and of the Registered Owner's ownership thereof, and upon furnishing the Authority with indemnity reasonably satisfactory to the Authority.

Section 9. Form and Execution of Note. The Note shall in a form consistent with the provisions of this resolution and state law, shall bear the manual or facsimile signatures of the Chair of the Board and the Executive Director and shall be impressed with the seal of the Authority or shall bear a manual or facsimile thereof. The Note shall not be valid or obligatory for any purpose, or entitled to the benefits of this resolution, unless the Note bears a Certificate of Authentication manually signed by the Note Registrar stating "This Note is the fully registered Non-Revolving Line of Credit Revenue Note, 2019 (Riverstone Apartments), of the Authority described in the Note Resolution." A minor deviation in the language of such certificate shall not void a Certificate of Authentication that otherwise is substantially in the form of the foregoing. The authorized signing of a Certificate of Authentication shall be conclusive evidence that the

Note so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this resolution.

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

Section 10. Preservation of Tax Exemption for Interest on Note. The Authority covenants that it will take all actions necessary to prevent interest on the Note from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the Note or other funds of the Authority treated as proceeds of the Note at any time during the term of the Note which would cause interest on the Note to be included in gross income for federal income tax purposes. The Authority also covenants that it will, to the extent the arbitrage rebate requirement of Section 148 of the Code is applicable to the Note, take all actions necessary to comply (or to be treated as having complied) with that requirement in connection with the Note, including the calculation and payment of any penalties that the Authority has elected to pay as an alternative to calculating rebatable arbitrage, and the payment of any other penalties if required under Section 148 of the Code to prevent interest on the Note from being included in gross income for federal income tax purposes.

Section 11. Authorization of Documents and Execution Thereof. The Authority authorizes and approves the execution and delivery of, and the performance by the Authority of its obligations contained in, the Note and this resolution and the consummation by the Authority of all other transactions contemplated by this resolution in connection with the issuance of the Note. The Board further authorizes the Authorized Officers, and each of them acting alone, to negotiate, approve, execute and deliver any credit agreement, loan agreement, and or such other instruments and agreements as may be necessary or desirable in connection with the sale of the Note to the Lender. The Executive Director of the Authority is authorized to execute the Note and the Authorized Officers, and each of them acting alone, are authorized to negotiate, execute and deliver documents reasonably required to be executed in connection with the issuance of the Note and to ensure the proper use and application of the proceeds of the Note, and to effect any extension of the maturity of the Note and modification of interest rate and/ or interest rate formula applicable to the Note as described in Section 4.

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

Section 12. Approval of Transaction. The Lender has offered to purchase the Note at a price of par, under the terms and conditions contained in this resolution and the Proposal Letter, including the payment of a fee to the Lender plus the fees and expenses of the Lender's legal counsel, and any other out-of-pocket costs incurred by the Lender, each payable at closing. The Board finds that the Lender's offer is in the best interest of the Authority and accepts such offer, and covenants that it will comply with all terms and conditions of the Proposal Letter.

Section 13. Reporting Requirements; Covenants. The Authority covenants and agrees for so long as the Note remains outstanding, and unless otherwise waived by the Lender, the Authority shall maintain a Debt Service Coverage Ratio of not less than 1.10 to 1.0, to be calculated at the end of each fiscal year of the Authority. “Debt Service Coverage Ratio” means, as of any applicable date, the sum of (a) the change in Authority (primary government) net assets, plus (b) interest expense, plus (c) depreciation expense, plus (d) amortization expense, plus (or minus) (e) the loss (or gain) on capital assets, plus (f) any non-cash charges to the extent deducted in determining the change in net assets, plus (g) payments from reserves or prior years’ revenues for programs or facilities, including, without limitation, as examples, payments made to forestall evictions due to delayed Section 8 housing payments from the federal government, mission driven initiatives or non-capitalized payments from reserves for replacement costs related to facilities, plus (h) non-recurring, one-time costs and expenses, not to exceed \$1,000,000 in any one fiscal year, minus (i) capital grants or contributions in any form; divided by the sum of interest expense and Scheduled principal payments made or incurred by the Authority during the preceding fiscal year, all as shown on the audited financial statements delivered to the Lender. “Scheduled” means all mandatory scheduled amortization payments (including without limitation mandatory redemptions) of outstanding indebtedness for borrowed money and excludes (a) voluntary prepayments, (b) revolver pay-downs, or (c) the refinance of existing debt.

The Authority further covenants and agrees for so long as the Note remains outstanding, and unless otherwise waived by the Lender, to shall provide financial information to the Lender as follows:

(A) the Authority's internally prepared financial statements for such fiscal year within 180 days after the fiscal year end, prepared in accordance with generally accepted accounting principles applicable to housing authorities, which shall be accompanied by a certificate regarding compliance with the Debt Service Coverage Ratio covenant set forth above;

(B) the Authority's audited financial statements within 10 days after receipt of the Washington State Auditor's opinion letter, but no later than 290 days after fiscal year end;

(C) the Authority's internally prepared quarterly financial statements within 45 days after fiscal quarter end;

(D) the Authority's annual budget or any material amendments thereto within 45 days of adoption; and

(E) such other information relating to the ability of the Authority to satisfy its obligations under the Note, as may be reasonably requested by the Lender from time to time.

Section 14. Acting Officers Authorized. Any action authorized by this resolution to be taken by the Executive Director of the Authority, may in his absence be taken by a duly authorized Deputy Executive Director of the Authority. Any action authorized by this resolution to be taken by a Deputy Executive Director of the Authority, may in his or her absence be taken by a duly authorized acting Deputy Executive Director of the Authority.

Section 15. Ratification and Confirmation. Any actions of the Authority or its officers prior to the date hereof and consistent with the terms of this resolution are ratified and confirmed.

Section 16. Severability. If any provision in this resolution is declared by any court of competent jurisdiction to be contrary to law, then such provision shall be null and void and shall be deemed separable from the remaining provision of this resolution and shall in no way affect the validity of the other provisions of this resolution or of the Note.

Section 17. Effective Date. This resolution shall be in full force and effect from and after its adoption and approval.

ADOPTED by the Board of Commissioners of the Housing Authority of the County of King at an open public meeting this 17th day of December, 2018.

HOUSING AUTHORITY OF THE COUNTY OF
KING

By: _____
Chair

ATTEST:

Secretary-Treasurer

CERTIFICATE

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

1. That the attached Resolution No.5614 (the “Resolution”) is a true and correct copy of the resolution of the Board of Commissioners of the Authority as adopted at a meeting of the Authority held on December 17, 2018, and duly recorded in the minute books of the Authority.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 17th day of December, 2018.

Executive Director of the Authority

T A B N U M B E R



To: Board of Commissioners

From: Andrew Calkins, Senior Program Manager

Date: December 17, 2018

Re: **Resolution No. 5615:** Authorizing Higher Payment Standards for the Housing Choice Voucher Program

Executive Summary

KCHA supports over 10,000 vouchers across the county through the tenant-based Housing Choice Voucher Program (HCV or Section 8). The payment standard is a critical component of the HCV program that ensures households can secure and maintain safe and affordable housing in different regions of the county. Since 2016, KCHA has increased payment standards substantially to keep pace with an increasingly costly rental market. The Board of Commissioners most recently made an adjustment to payment standards in June 2018, following staff's commitment to review and, if necessary, adjust payment standards twice a year.

At the December 2018 board meeting staff will present a recommendation to moderately raise payment standards in 2019. The proposed payment standards, combined with previous payment standard increases and expected voucher-level rent increases of 6.5%, are expected to increase annualized housing assistance payments (HAP) within the Moving to Work block grant by \$7.4 million at full implementation. The majority of rising costs in the HCV program are due to previously approved payment standard increases and expected landlord rent increases. The proposed 2019 increases to payment standards account for only \$1.5 million of the total increase in costs.

Background & Methodology

Payment standards represent the maximum amount that a housing authority will provide to a voucher holder to assist with rent and utilities. While housing authorities typically have a single payment standard set at a level between 90% and 110% of the area's Fair Market Rent, since 1999 KCHA has maintained multiple payment standards. In 2016, the Board expanded the two-tiered system of payments standards (which involved a regular standard and an "exception area" standard that covered East King County) to create a ZIP code-based, multi-tiered structure with five payment standard levels. In November 2017, the Board approved additional changes to this system to include: higher payment standards, shifting ZIP codes across tiers, and the identification of a new (sixth) tier.

The Board's initial adoption of multi-tiered payment standards and subsequent refinement to the system recognizes the importance of closely aligning payment standards to local rental sub-

markets as a means of achieving four key aims: (1) increasing access to high opportunity areas; (2) containing program costs by “right-sizing” subsidies in lower and middle cost markets; (3) ensuring that new and existing voucher holders can secure and maintain their housing in competitive and increasingly costly rental markets; and (4) limiting the number of households experiencing a housing cost burden and spending more than 40% of their income on rent. Staff will discuss the extent to which the multi-tiered policy is achieving these aims at the board meeting.

In contrast to last year’s annual analysis of payment standards, staff did not examine potential changes to the groupings of ZIP codes under the six tier system. Since the closure of longtime real estate data firm Dupre & Scott, no data firm has emerged to provide geographically broad and comprehensive data on the Puget Sound rental market. Many firms survey large apartment complexes and provide little data on smaller properties. We are holding off on making changes to ZIP code groupings until we have a permanent and comprehensive rent data source that surveys the entire rental market. Staff will discuss the current data situation and emerging solutions at the December board meeting.

To produce new payment standards for 2019, staff applied the twelve-month change in 40th percentile rents observed by the rent data firm Apartment Insights to the payment standards effective December 2017. Though Apartment Insights surveys large rental properties, their overall trends have historically tracked with other data providers, including Dupre & Scott and Zillow. This rental data was supplemented with information from the University of Washington’s “scraped” rental listing project, as well as internal information on voucher-level rents, shelter burden, and shopping success. As with each analysis of payment standards, staff incorporated feedback from housing specialists and other members of the HCV team.

Analysis Findings

While rents increases have moderated in King County relative to the last three years, rents continue to rise in traditionally more affordable areas and in particular, for the more affordable rental units within those areas. According to Apartment Insights, rents at the 40th percentile level have increased between 4% and 8% in Tiers 1, 2, and 3 (encompassing Auburn, Kent, Tukwila, White Center, Shoreline, and SeaTac) over the last twelve months. In more costly Tiers 4, 5 and 6 (which encompass the high-cost cities of Bellevue, Redmond, Issaquah, and Kirkland), 40th percentile rents have risen between 1% and 3% over the same period. Households currently leased in Tiers 2 and 3 saw landlords increase rents on average by 9.1% and 9.7%, respectively, in the third quarter of 2018. Landlords have made more moderate rent increases in Tiers 5 and 6 (5.5% and 5.1%, respectively).

Despite the continued increase in rents, critical internal indicators are trending in a positive direction. Shopping success (the percentage of households leasing up prior to 240 days after voucher issuance) has met or exceeded the HCV goal of 75% in seven of the last nine months and the rate of shelter burden has been driven to a five-year low of 14% when excluding households in larger bedroom sizes. These positive trends reflect a range of HCV initiatives, including the introduction of three landlord liaisons, ZIP code-based caseload assignments, deposit assistance, flexible funds to cover application and move-in fees for people with special

purpose vouchers, and the Board's commitment to maintaining payment standards commensurate with the local rental market.

Recommended Payment Standard Adjustments

To respond to the continued upward pressure on 40th percentile rents across King County, staff is recommending a moderate increase in payment standard amounts in all payment standard tiers and bedroom sizes. While reflecting a lower rate of increase than previous annual adjustments, these adjustments will contribute to households' ability to find housing and maintain housing at an affordable level across all areas of the county.

PROPOSED PAYMENT STANDARDS TO BE EFFECTIVE JANUARY 1, 2019

		Studios	1 BR	2 BR	3 BR	4 BR*
Tier 1	<i>Current</i>	\$930 +\$50	\$1,125 +\$55	\$1,385 +\$15	\$1,795 +\$25	\$2,390 +\$50
	Proposed	\$980	\$1,180	\$1,400	\$1,820	\$2,440
Tier 2	<i>Current</i>	\$980 +\$30	\$1,185 +\$35	\$1,435 +\$55	\$1,870 +\$70	\$2,425 +\$45
	Proposed	\$1,010	\$1,220	\$1,490	\$1,940	\$2,470
Tier 3	<i>Current</i>	\$1,090 +\$20	\$1,245 +\$25	\$1,490 +\$50	\$1,950 +\$50	\$2,620 +\$70
	Proposed	\$1,110	\$1,270	\$1,540	\$2,000	\$2,690
Tier 4	<i>Current</i>	\$1,100 +\$100	\$1,435 +\$25	\$1,670 +\$40	\$2,180 +\$50	\$2,840 +\$60
	Proposed	\$1,200	\$1,460	\$1,710	\$2,230	\$2,900
Tier 5	<i>Current</i>	\$1,305 +\$35	\$1,620 +\$10	\$1,835 +\$15	\$2,385 +\$15	\$3,165 +\$25
	Proposed	\$1,340	\$1,630	\$1,850	\$2,400	\$3,190
Tier 6	<i>Current</i>	\$1,630 +\$30	\$1,760 +\$40	\$2,065 +\$45	\$2,685 +\$65	\$3,405 +\$85
	Proposed	\$1,660	\$1,800	\$2,110	\$2,750	\$3,490

* Five and six bedroom payment standards are determined by applying a factor of 1.15 and 1.30 to the four bedroom payment standard.

At current rent levels, the payment standards would reduce the percentage of tenant-based households spending between 30% and 40% of their income on rent from 25% to 17%, and the percentage spending more than 40% of their income on rent from 14% to 8%.¹ As with past adjustments, staff is proposing to implement new payment standards on a rolling basis at a households' next interim or annual reexamination.

Budgetary Impact:

Increasing payment standards involves a substantial investment from the housing authority's budget. In addition to increasing the costs associated with current households and existing rent levels, higher payment standards also raise the ceiling on the amount of HAP costs that KCHA may incur as a result of future rent increases. When modeling the full implementation of the payment standard increase with voucher-level rent increases of 6.5% across the program, it is expected that HAP costs will increase by \$7.4 million on an annualized basis. Monthly per-unit-

¹ This statistic excludes households choosing to live in units with more bedrooms than their voucher covers.

Authorizing Higher Payment Standards
December 17, 2018 Board Meeting
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costs in 2019 are expected to rise by 7.9%. These increases in HCV program costs are assumed in the 2019 agency budget.

Approval of Resolution 5615 is recommended.

APPENDIX A: 2019 Multi-Tiered Payment Standards

Tier Configuration

Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 6
98047	98070	98031	98008	98056	98059
98002	98108	98030	98001	98038	98007
98010	98022	98023	98028	98074	98006
98051	98042	98065	98058	98075	98004
	98166	98045	98133	98053	98040
	98146	98032	98057	98072	98005
	98168	98024	98055	98027	98033
	98092	98019		98011	98029
	98148	98014		98034	98052
	98188	98177		98077	98039
	98198	98178			
	98003	98155			
	98106				
	98126				
	98354				
	98288				
	98224				

Proposed Payment Standards Amounts Effective January 1, 2019

	Studios	1 BR	2 BR	3 BR	4 BR
Tier 1	\$980	\$1,180	\$1,400	\$1,820	\$2,440
Tier 2	\$1,010	\$1,220	\$1,490	\$1,940	\$2,470
Tier 3	\$1,110	\$1,270	\$1,540	\$2,000	\$2,690
Tier 4	\$1,200	\$1,460	\$1,710	\$2,230	\$2,900
Tier 5	\$1,340	\$1,630	\$1,850	\$2,400	\$3,190
Tier 6	\$1,660	\$1,800	\$2,110	\$2,750	\$3,490

Distribution of Tenant-Based Vouchers by Tier & Bedroom Size

As of December 1, 2018

	Studios	1 BR	2 BR	3 BR	4 BR+
Tier 1	2	259	231	77	17
Tier 2	34	1,436	1,292	685	369
Tier 3	20	744	1,060	718	394
Tier 4	15	313	264	171	86
Tier 5	4	159	233	107	53
Tier 6	29	463	501	236	40

THE HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION No. 5615

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

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 multi-tiered payment standard system with five tiers by passing Resolution No. 5531 dated the 16th of February 2016; and

WHEREAS, the Housing Authority has committed to reviewing and, if necessary, making changes to the multi-tiered payment standards system and the configuration of ZIP codes therein on a biannual basis; and

WHEREAS, the Housing Authority added a sixth tier to the payment standard system by passing Resolution No. 5576 dated the 20th of November 2017; and

WHEREAS, the Housing Authority last increased payment standards on the 18th day of June 2018; and

WHEREAS, it has been determined that an increase in payment standards in all tiers and bedroom sizes will ensure that standards continue to match regional rent trends, create sufficient access to high opportunity areas, 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, the Housing Authority has sufficient resources to fund higher payment standards in 2019; and,

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

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 17th Board of Commissioners meeting and attached hereto, and effective immediately.

ADOPTED AT A REGULAR MEETING OF THE BOARD OF THE COMMISSIONERS OF THE HOUSING AUTHORITY OF THE COUNTY OF KING THIS 17th DAY OF DECEMBER 2018.

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

DOUGLAS J. BARNES, Chair
Board of Commissioners

STEPHEN NORMAN
Secretary

T A B N U M B E R

5



TO: Board of Commissioners

FROM: Craig Violante, Director of Finance

DATE: December 7, 2018

RE: **Resolution No. 5616:** 2019 Operating and Capital Budgets

Attached for your review are the 2019 Comprehensive Operating and Capital Budgets (Exhibits A and B, respectively). In an environment of uncertain federal support for housing programs beyond 2019, the budget balances the regional need for additional affordable housing, the proper maintenance of the current housing stock and the vital services provided to residents while positioning the agency for the future. The budget makes significant investments in maintaining affordability and housing quality for current program participants while expanding housing opportunities across its programs. The Authority enters 2019 with over 1,000 more households, either in our existing programs or the 2019 pipeline, than at the beginning of 2018.

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

EXECUTIVE SUMMARY

The Comprehensive Budget is a combination of three distinct budgets:

- Operating Budget
- Capital Budget
- Cash Budget

Selected highlights from the Comprehensive Budget include:

- \$175.9 million toward HCV program HAP payments, supporting nearly 11,000 families funded by KCHA and another 2,800 expected “port-in” to KCHA’s service area during the year, an increase of 318 families over 2018.
- \$137.0 million for the acquisition of Riverstone and the five Machinist properties. These acquisitions will be 100% debt-financed. While no additional acquisitions have been included in the budget, it is anticipated that KCHA may continue to acquire appropriate properties, if identified, through the issuance of additional debt.

- \$14.6 million in development costs, primarily at Greenbridge, in Redmond at the bus layover site, and in Issaquah for the Trailhead Issaquah project.
- \$39.7 million for upgrades and repairs to preserve KCHA's existing housing stock, funded through a combination of Capital Fund Program (CFP) grants, operating cash flow, reserves, and debt proceeds.
- A funding commitment of \$2.6 million dedicated to a variety of locally designed homeless programs such as sponsor-based supportive housing and flexible rental assistance. These programs complement the extensive use of Housing Choice Vouchers to support the region's rehousing efforts.
- \$7.7 million for a wide array of resident service programs focused on educational outcomes for youth, student housing and classroom stability, economic mobility and self-sufficiency, and youth and senior services.

Operating Budget Summary

With two notable exceptions, the 2019 Operating Budget is steady-state compared to 2018. Below is a summary (in thousands of dollars) of the components of the 2019 operating budget compared to 2018:

	2018 Adopted Budget	2018 Midyear Projection	2019 Proposed Budget	Dollar Change	Percent Change
<i>Revenues</i>					
1 Tenant Revenue	\$93,195.8	\$93,195.8	\$108,485.3	\$15,289.6	16.4%
2 Operating Fund Subsidy from HUD	8,664.8	9,781.5	10,021.4	240.0	2.8%
3 Section 8 Subsidy from HUD	143,118.8	160,239.4	162,937.0	2,697.6	1.9%
4 Other Operating Revenue	69,760.5	73,073.8	76,436.1	3,362.4	4.8%
Total Operating Revenues	314,739.9	336,290.4	357,879.9	21,589.5	6.9%
<i>Expenses</i>					
5 Salaries & Benefits	46,792.5	46,792.5	51,481.3	4,688.8	10.0%
6 Routine Maintenance, Utilities, Taxes & Insurance	23,443.7	23,443.7	26,123.0	2,679.3	11.4%
8 Other Social Service Support Expenses & HAP	169,803.7	175,007.7	193,274.3	18,266.6	10.8%
9 Administrative Support Expenses	19,773.9	21,938.6	23,175.7	1,237.1	6.3%
Total Operating Expenses	259,813.8	267,182.4	294,054.2	26,871.8	10.3%
Operating Net Income	54,926.2	69,108.0	63,825.7	(5,282.3)	-9.6%

The first exception revolves around the inclusion of the operations of six properties that are going to be acquired early in 2019 (Riverstone and the five IAM District 751 properties) and two properties that are re-joining the portfolio after extended ownership by a New Market Tax Credit entity (Wonderland Estates and Tall Cedars). Below is a comparison that is similar to above but excludes the operations of these eight properties. This "Normalized" comparison (in thousands of dollars) reveals that operating net income is actually declining by \$10.8 million from 2018.

	2018 Adopted Budget	2018 Midyear Projection	Normalized 2019	Dollar Change	Percent Change
Revenues					
Tenant Revenue	\$93,195.8	\$93,195.8	98,326.7	5,130.9	5.5%
Operating Fund Subsidy from HUD	8,664.8	9,781.5	10,021.4	240.0	2.5%
Section 8 Subsidy from HUD	143,118.8	160,239.4	162,937.0	2,697.6	1.7%
Other Operating Revenue	69,760.5	73,073.8	76,343.1	3,269.3	4.5%
Total Operating Revenues	314,739.9	336,290.4	347,628.2	11,337.8	3.4%
Expenses					
Salaries & Benefits	46,792.5	46,792.5	50,471.6	3,679.1	7.9%
Routine Maintenance, Utilities, Taxes & Insurance	23,443.7	23,443.7	23,626.0	182.3	0.8%
Other Social Service Support Expenses & HAP	169,803.7	175,007.7	193,155.3	18,147.7	10.4%
Administrative Support Expenses	19,773.9	21,938.6	22,095.7	157.2	0.7%
Total Operating Expenses	259,813.8	267,182.4	289,348.7	22,166.2	8.3%
Operating Net Income	54,926.2	69,108.0	58,279.5	(10,828.5)	-15.7%

The second notable exception explains the root cause of this decline in Operating Net Income.

The 2019 block grant budget is reflecting a modest increase of only \$130,000 compared to the midyear financial forecast. In 2018, after submitting a market-rate survey to HUD, KCHA received an 18.2% RFIF. No such survey was carried out in 2018, but one is planned for 2019 which will help inform the 2020 RFIF. As a result, a small 1% RFIF is forecast for 2019, but is mostly offset by an assumed deterioration in the prorate, from 99.745% down to 99.0%

Although no significant increase in block grant funding is expected in 2019, core program costs will continue to rise. 8,253 vouchers are funded out of the block grant as well as 370 units of over-leasing. HAP cost growth is projected to continue with a 7.7% rise in average block payments assumed for 2019. This will result in \$9.6 million additional HAP costs charged to the MTW program with no offsetting rise in revenue. This deficit is largely responsible for the overall decline in Operating Net Income. Funds to pay for the additional 2019 HAP costs will be drawn from cash held by HUD, currently projected to be approximately \$10 million at the end of 2018.

As we typically do, KCHA will reforecast anticipated revenues as part of the mid-year review once Federal funding levels are known, and will make adjustments in expenditure levels at that point if deemed prudent.

Capital Budget Summary

The 2019 \$192.5 million Capital Budget has two core components. The largest piece is \$137.0 million for the acquisition of Riverstone and the five IAM District 751 properties and will be funded entirely with debt. The more traditional portion of the capital budget is pegged at \$55.5 million in 2019 and is consistent with recent year's activities.

Cash Budget Summary

KCHA cash is divided into three buckets: Unrestricted, Designated and Restricted. Unrestricted cash can be spent on any mission-oriented activity or specific program within

the Agency. Designated reserves have been set aside for specific purposes by the Housing Authority. Restricted reserves have legal covenants associated with them.

Overall cash is slated to decline by \$22.0 million. None of this decline is due to operating activities. Restricted cash will fall by \$13.5 million as bond proceeds from the Highland Village/Somerset Gardens project and the Energy Performance Contract are expended. Most of the remaining projected use of cash stems from predevelopment efforts (\$2.2 million), projects at Greenbridge (\$3.7 million), and additional EPC work (\$1.9 million).

Projected cash through the end of 2019 can be found on page 11.

OPERATING BUDGET DETAIL

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. Participation in the program gives KCHA three distinct financial 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.

Using a combination of 2019 program sources and existing reserves, funding for the range of programs and departments that utilize the MTW block grant will be sufficient in 2019

based on current assumptions. With the expiration of the bipartisan agreement to avoid the restoration of sequestration, adequacy of funding in 2020 and beyond remains a question mark.

The following table is a summary of 2019 Sources and Uses of MTW funding:

Projected Unrestricted MTW Cash, 1/1/2019	\$15,622,253	(1)
<i>Housing Choice Voucher Block Grant</i>		
Block Grant Eligibility, 2019	144,723,918	
Loss Due to Estimated Prorate	(1,447,239)	
Budgeted Block Grant Revenue	143,276,679	
<i>Other Available Resources</i>		
Resources Returned to MTW Program from Lending Activities	997,974	
Resources Returned to MTW Program from Collateral Activities	1,363,636	
Public Housing Operating Fund Subsidy for Resident Services	434,840	
Other Revenue Sources	1,254,366	
Total Other Available Resources	4,050,816	
Total Sources	147,327,495	
<i>Core Operating Uses</i>		
HAP Payments to Landlords	(116,255,181)	
Administrative Expenses of HCV Program	(8,919,462)	
Backfill of Underfunded Special Purpose HCV Vouchers	0	
Additional Support of Public Housing Operations	(494,686)	
Resident Services	(5,640,693)	
Homeless Programs	(2,620,140)	
Policy and Administrative Expenses	(1,505,766)	
Other Programmatic Uses	(1,036,280)	
Total Core Operating Uses	(136,472,208)	
Total Net Resources after Operations	10,855,287	
<i>Other Uses</i>		
Additional Support of Public Housing for Capital Needs	(13,287,927)	
Total Other Uses	(13,287,927)	
Change in 2019 MTW Resources	(\$2,432,640)	
Projected Unrestricted MTW Cash, 12/31/2019	\$13,189,614	(1)

1) Includes cash held by both KCHA and HUD on behalf of KCHA

Properties and Programs that fall under the MTW umbrella include:

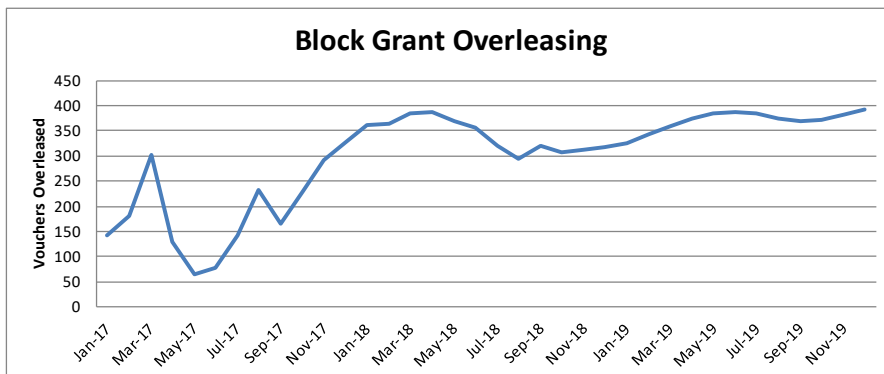
- Block-granted Housing Choice Vouchers
- Public Housing
- Resident Service programs
- Homeless Initiatives

Block-granted Housing Choice Vouchers

83% of the vouchers administered under of the Housing Choice Voucher Program are “Block Granted” and are part of the MTW program. The Block Grant supports 8,253 vouchers with funding received from HUD in a monthly “block” of cash. Assuming the 1% RFIF inflation adjustment is awarded in 2019, KCHA will be eligible to receive \$143.3 million in funding. The pro-rate is estimated to deteriorate slightly, down to 99.0% from 99.745% in 2018. There is a possibility that the pro-rate could be lower if Congress funds the entirety of the 2019 Federal fiscal year on a continuing resolution. There is also a possibility that the national inflation factor could be more than 1%. Each 1% movement in either variable would cause KCHA’s revenues to increase or decrease by approximately \$1.2 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 currently supports more households than the baseline number of households for which it is funded. This “over-leasing” is projected to remain robust, driven by lease-up targets for eligible families under the Creating Moves to Opportunities (CMTO) research project. A chart showing actual and projected over-leasing from 2017 to 2019 follows.



When all locally-designed programs are factored in, KCHA anticipates housing 623 households above the number called for in the HUD baseline throughout 2019 at an annualized cost of \$6.7 million.

- 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 cost (and 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 six-tier payment standard in November 2017, an interim update in June 2018, and will consider the annual proposed changes in payment standards at the December board meeting. The 2019 budget includes the effects of the proposed changes, approximately \$1.4 million.

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 2019, it is estimated that HUD's published fee will be approximately \$93.00 per unit per month (PUM) while KCHA's internal rate is being set at \$85.51, meaning that KCHA is operating its Section 8 program within the cost parameters established by HUD although not necessarily within the actual funding provided by HUD, as the administrative fee for non-block grant vouchers has been subject to significant proration in recent funding cycles

Public Housing

The **Public Housing** program operates on a combination of tenant revenue and Operating Fund Subsidy provided by HUD. In 2019, KCHA is eligible, based on HUD's funding formula, to receive \$11.2 million of Operating Fund Subsidy. Excluding extraordinary capital work performed by internal staff, this funding level can fully support the budgeted operations of Public Housing. However, due to chronic congressional underfunding, it is estimated that only 90% of eligible funding, or \$10.0 million, will actually be received. Of this amount, \$435,000 is dedicated toward the cost of resident service programs, and \$2.9 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 on energy-saving initiatives (mostly through servicing the debt incurred to pay for the installed measures). The remaining \$6.7 million will be used to partially offset the gap between the costs of the properties and the rents received from tenants, but a deficit of \$1.3 million will remain. This deficit will be funded with transfers from the MTW program.

Resident Services

The Resident Services department has budget authority for 37.6 full-time equivalent (FTE) employees in 2019. It has an overall department budget of \$7.7 million, of which 73.8% is funded from the MTW block grant, 5.6% from Public Housing Operating Fund subsidy, 7.2% from the Gates Foundation (limited-term funding), 5.7% from the EPC project (for relocation expenses related to elevator upgrades) and the remainder from various grants and partner agencies. There will be a continued focus on education, housing stability and workforce development in 2019.

Key program groups being funded include: start here

- \$2.3 million for after school/educational initiatives
- \$1.6 million for workforce development

- \$1.5 million for elderly and family services
- \$2.3 million for other purposes, including relocation, reasonable accommodations, Section 8 resident outreach and general administration

Homeless Initiatives

KCHA's Public Housing and Section 8 programs continue their focus on ending regional homelessness. In 2017, (the most recent year for which data is available) 50% of newly housed families were formerly homeless. The Homeless Housing Initiatives (HHI) department both oversees use of Section 8 vouchers in partnership with regional efforts and develops innovative new initiatives serving those who, for a variety of reasons, cannot use traditional federal programs. HHI's 2019 budget of \$2.8 million includes a wide array of locally designed rental assistance programs. Highlights of the 2019 work plan include:

- Pursue and secure all new federal special purpose voucher resources made available by HUD during 2019. Commitments for 357 new vouchers were secured during 2018.
- In partnership with the Section 8 department, achieve high utilization and housing stability rates across KCHA's special purpose vouchers. Special emphasis will be focused on leasing the newly-awarded vouchers in the Family Unification Program (FUP), Near-Elderly Disabled (NED) and Veteran Affairs Supporting Housing (VASH) programs.
- Utilize KCHA's MTW authority to develop and implement a unique rental assistance program targeted to serve homeless students pursuing postsecondary education at Highline College. Initial planning and program design will occur through mid-2019 with initial lease up expected prior to the start of the fall quarter.

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, and excludes the activities of the Central Maintenance and Vehicle funds as those are not considered part of KCHA's general overhead activities. Although the budget reflects a net \$4.2 million reduction in unrestricted cash, \$3.7 million is due to development activity at Greenbridge and \$2.2 million is for loans to fund pre-development work at several properties. There are sufficient reserves to cover any additional shortfalls.

Projected COCC Unrestricted Cash, 1/1/2019	\$35,918,458
<i>Core Operating Revenues</i>	
Fees and Other Revenue	12,405,748
Cash from Asset-Managed Properties	6,178,000
Total Operating Resources	18,583,748
<i>Core Operating Uses</i>	
Operating Expenses	(16,533,675)
Net Excess/(Deficit) Related to Core Overhead Activities	2,050,073
<i>Other Resources</i>	
Resources Related to COCC Lending Activities	2,220,031
Total Other Resources	2,220,031
<i>Other Uses</i>	
Greenbridge Development	(3,723,824)
Funding Capital Projects	(644,842)
Repayment and Interest on Borrowings	(1,570,475)
Loans to Development Projects	(2,226,204)
Support of Wx Program	(37,893)
Support of Local Properties	(217,749)
Total Other Uses of Unrestricted Cash	(8,420,987)
Net Change in Unrestricted Cash	(4,150,883)
Projected COCC Unrestricted Cash, 12/31/2019	\$31,767,575
Cash Held in Reserve for King County Credit Enhancement, 1/1/2019	\$13,000,000
Net Change in 2019	0
Cash Held in Reserve for King County Credit Enhancement, 12/31/2019	\$13,000,000

78% of COCC operating costs are attributable to personnel, making it a challenge to reduce costs. The complexity of the organization generally requires the staffing level the Authority currently 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 the mobile home and Nike portfolio, KCHA currently has 37 separate properties with 5,330 apartments. With the 2019 additions of Riverstone and the five IAM District 751 properties, these numbers grow to 43 separate properties with 6,174 units. 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. After all such expenses, the 2019 net cash flow from these properties transferred to general KCHA cash accounts is projected to be \$11.3 million. Out of these proceeds, approximately \$6.2 million will be available to fund overhead operations of the agency, and the balance will be used to pay certain debt or fund specific reserves.

The **Weatherization and Housing Repair program** provides energy conservation improvements to low income residents of King County living in single family residences, mobile homes, and multifamily housing. It also provides repairs to single-family homes through the City of Bellevue Housing Repair program. The 2019 budget includes construction activity of \$5.1 million to weatherize or repair 550 housing units and is funded through six separate federal, state and local grants and contracts.

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	\$17,575,929	Capital Construction Department	MTW, CFP grant, COCC, MKCRF cash flow
	\$5,495,633	Housing Management Department	MTW, Operating Fund subsidy, site cash flow, loan proceeds
	\$17,241,102	Asset Management Department	Replacement reserves and site cash flow
Development Activities	\$9,226,204	Development Department	COCC , debt
Acquisition of new properties	\$137,000,000	Development Department	Debt
Work at Greenbridge site	\$5,410,203	Development Department	Internal loans
Other	\$586,120	Various	Various
Total	\$192,535,191		

Highlights of the capital budget include:

- \$40.3 million for construction and A & E costs for a variety of projects, including
 - \$6.8 million as part of the Energy Performance Contract
 - \$4.2 million for 150 unit upgrades to be completed at various portfolios
 - \$8.7 million at Public Housing Properties
 - \$1.4 million at Moving King County Residents Forward properties
 - \$17.2 million at workforce housing properties
 - \$2.0 million of other costs
- \$137.0 million for the acquisition of new properties
- \$5.8 million for land acquisition and pre-development work at the Redmond bus layover site
- \$3.5 million in other pre-development activities
- \$5.4 million at Greenbridge

CASH BUDGET

Below is the 2019 cash budget:

	Unrestricted & Program	Designated	Restricted	Total	
Projected Cash, 1/1/2019	\$83,361,697	\$80,872,826	\$41,646,506	\$205,881,029	(1)
Projected 2019 Change	(7,003,304)	(1,430,362)	(13,533,198)	(21,966,864)	
Projected Cash, 12/31/2019	<u>\$76,358,393</u>	<u>\$79,442,464</u>	<u>\$28,113,308</u>	<u>\$183,914,165</u>	(1)

1) Including cash held by HUD

Significant 2019 uses of cash will include:

- Expend final \$10.0 million of Highland Village/Somerset Gardens Private Activity Bond proceeds
- \$3.7 million for construction activity at Greenbridge
- \$2.2 million for pre-development work at several sites
- \$6.3 million for EPC elevator upgrades

It should be noted that approximately \$7.1 million in investor equity contributions for the Highland Village and Somerset Gardens projects are scheduled to be received in 2020, partially off-setting the 2018/2019 expenditures on these projects.

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 2019, \$22.7 million in untapped grant awards will be available for capital purposes.

THE INVESTMENT IN KCHA'S EMPLOYEE INFRASTRUCTURE

Overview

KCHA will invest in its employees on several fronts during 2019. In addition to staffing increases and boosts in compensation and benefits, the budget includes support for the following key initiatives:

- Comprehensive review of the agency's compensation and employee performance structures
- Significant investments in training and tuition reimbursement
- In concert with outside consultant, focus on equitable employment practices by performing comprehensive review of policies and expanding training opportunities

Employee Count

The 2019 budget includes 422.65 full-time equivalent (FTE) positions, a net increase of 15.6 positions over the initial 2018 budget and 10.7 positions over the end of 2018 headcount.

4.83 net FTE change since the adoption of the 2018 budget:

- 2.00 FTEs for two Owner Liaisons in the Housing Choice Voucher (HCV) department
- 1.00 FTE for one Senior Housing Specialist in HCV
- 1.00 FTE for one Technical Writer to support Housing Management and HCV
- 1.00 FTE Special Project Maintenance Mechanic in Housing Management
- 0.33 FTE increase in Summer Landscaper
- (0.50) FTE reduction (Property Specialist at Friendly Village went from full-time to part-time)

8.50 regular FTEs are being proposed in the 2019 for the following positions:

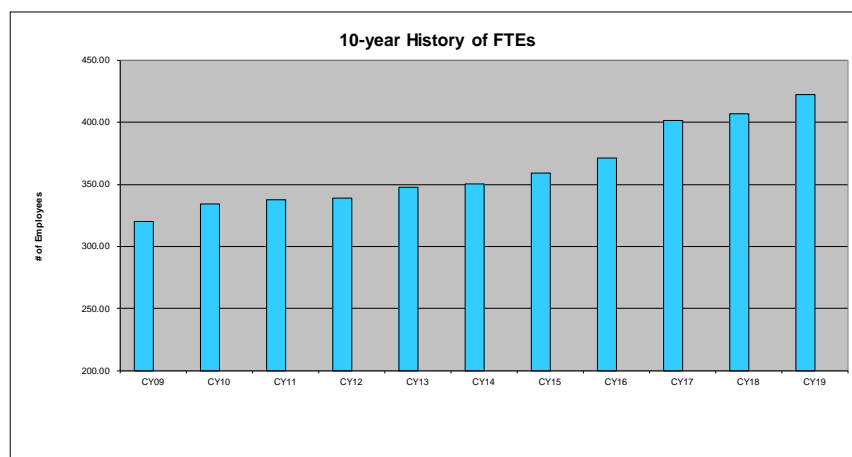
- 1.00 FTE for one Senior Housing Specialist in HCV
- 1.00 Development Coordinator to be split between Asset Management and Development
- 1.00 FTE for two half-time interns in HCV
- 1.00 FTE for one Maintenance Mechanic in Asset Management
- 1.50 FTEs for three half-time interns in Resident Services
- 1.00 FTEs for one staff in Information Technology
- 1.00 FTE for Payroll Technician in Finance
- 1.00 FTE for Administrative Assistant in Administrative Services

4.00 limited-term FTEs are being proposed in the 2019 budget for the following positions:

- 2.00 FTEs for two Construction Coordinators in Weatherization
- 1.00 FTE for one Management Analyst in the Policy
- 1.00 FTE for one staff in Information Technology

(1.73) FTEs are being eliminated:

- (0.23) FTE part-time intern in Resident Services
- (1.00) FTE Resident Service Coordinator
- (0.50) FTE Student Intern in Policy



Personnel Costs

A Board-approved Cost of Living Adjustment (COLA) wage increase of 3.6% was awarded to non-represented employees in November 2018. An estimated COLA of 2.5% has been factored into the budget for November, 2019.

The Public Employees Retirement System (PERS) contribution rate hit 12.83% on September 1, 2018, up from 12.7%. It is projected this rate will remain unchanged through 2019. The average health insurance cost per employee is rising from \$14,323 to \$14,556, a modest 1.6% increase.

	Neutral Cash Flow		Positive Cash Flow		Other Programs					2019	2018	Dollar	Percent
	Public Housing	Other Low Inc Housing	Workforce Housing	Other Low Inc Housing	Section 8 Program	MTW Program	Development Activities	Other Activities	COC	Proposed Budget	Adopted Budget (1)	Change	Change
Beginning Balance, Unrestricted Cash	\$9,317.8	\$4,846.0	\$2,817.9	\$9,695.2	\$379.1	\$15,622.3	\$1,172.8	\$2,016.7	\$37,493.8	\$83,361.7			
Revenues													
Tenant Revenue	\$7,725.4	\$15,235.0	\$69,405.6	\$16,019.4	\$100.0	\$0	\$0	\$0	\$0	\$108,485.3	\$93,195.8	\$15,289.6	16.4%
Operating Fund Subsidy from HUD	6,146.2	337.3	.0	205.3	.0	434.8	.0	2,897.8	.0	10,021.4	8,664.8	1,356.6	15.7%
Section 8 Subsidy from HUD	.0	435.9	.0	.0	144,399.1	18,102.0	.0	.0	.0	162,937.0	143,118.8	19,818.2	13.8%
Other Operating Revenue	5,128.7	4,426.9	170.4	97.4	43,372.1	20.9	318.2	8,021.2	14,880.3	76,436.1	69,760.5	6,675.6	9.6%
Total Operating Revenues	19,000.4	20,435.1	69,575.9	16,322.0	187,871.2	18,557.8	318.2	10,919.1	14,880.3	357,879.9	314,739.9	43,140.0	13.7%
Expenses													
Salaries & Benefits	(5,807.3)	(3,043.0)	(9,169.0)	(2,412.8)	(8,088.5)	(4,619.9)	(335.5)	(2,376.0)	(15,629.3)	(51,481.3)	46,792.5	(98,273.7)	-210.0%
Routine Maintenance, Utilities, Taxes & Insurance	(5,679.3)	(4,342.6)	(12,134.5)	(3,445.6)	(280.0)	.0	.0	(16.5)	(224.4)	(26,123.0)	23,443.7	(49,566.7)	-211.4%
Other Social Service Support Expenses & HAP	(5,280.5)	(509.4)	(352.7)	(450.6)	(176,530.8)	(4,512.9)	.0	(5,637.4)	.0	(193,274.3)	169,803.7	(363,078.0)	-213.8%
Administrative Support Expenses	(4,444.6)	(1,539.5)	(6,314.7)	(1,472.3)	(3,887.1)	(733.7)	(150.6)	(364.9)	(4,268.4)	(23,175.7)	19,773.9	(42,949.6)	-217.2%
Total Operating Expenses	(21,211.8)	(9,434.4)	(27,970.9)	(7,781.2)	(188,786.3)	(9,866.6)	(486.0)	(8,394.9)	(20,122.1)	(294,054.2)	259,813.8	(553,868.0)	-213.2%
Operating Net Income	(2,211.4)	11,000.7	41,605.1	8,540.8	(915.2)	8,691.2	(167.9)	2,524.2	(5,241.8)	63,825.7	54,926.2	8,899.5	16.2%
Non-operating Revenue	2,571.9	1,587.6	5,111.8	5,308.4	2.9	1,233.5	2,008.3	480.4	2,655.6	20,960.4	31,909.0	(10,948.6)	-34.3%
Non-operating Expenses	(1,733.3)	(5,575.6)	(15,927.2)	(4,272.2)	.0	.0	(123.8)	(1,546.7)	(670.5)	(29,849.1)	19,117.0	(48,966.1)	-256.1%
Net Income	(1,372.7)	7,012.7	30,789.7	9,577.0	(912.2)	9,924.6	1,716.6	1,457.9	(3,256.7)	114,635.2	67,718.1	46,917.1	69.3%
Other Sources/(Uses) of Cash													
Capital Projects and Acquisitions	(13,428.0)	(4,497.0)	(151,817.8)	(2,597.4)	.0	(700.0)	(14,636.5)	(4,247.4)	(611.0)	(192,535.2)	(39,810.3)	(152,724.9)	383.6%
Changes in Designated Cash	.0	11.1	(1,697.7)	(201.2)	.0	.0	(323.5)	3,641.8	.0	1,430.4	(3,092.9)	4,523.3	-146.2%
Changes in Restricted Cash	(217.7)	133.4	12,450.0	(194.9)	.0	1,363.6	(1.2)	.0	.0	13,533.2	46,467.4	(32,934.2)	-70.9%
Changes in Receivables	(1,712.9)	(421.3)	17,274.4	2,509.7	.0	998.0	.0	.0	(5,224.0)	13,423.9	(63,307.3)	76,731.2	-121.2%
Changes in Other Assets	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	(4,671.8)	4,671.8	-100.0%
Changes in Debt	.0	(2,073.1)	99,520.7	(6,668.7)	.0	.0	5,500.0	.0	(900.0)	95,378.8	3,439.2	91,939.6	2673.3%
Changes in Other Liabilities	1,733.3	(104.2)	.0	159.1	.0	.0	5,784.4	(743.9)	.0	6,828.7	(848.6)	7,677.3	-904.7%
Changes in Equity	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	n/a
Total Other Sources/(Uses) of Cash	(13,625.4)	(6,951.3)	(24,270.4)	(6,993.4)	.0	1,661.6	(3,676.9)	(1,349.6)	(6,735.0)	(61,940.2)	(61,824.3)	(116.0)	0.2%
Transfer In from (Out to) Other Funds													
Transfers In from Other Funds	15,064.1	2,681.8	.0	1,177.4	.0	.0	124.0	1,579.9	6,178.0	26,805.2	80,821.6	(54,016.4)	-66.8%
Transfers Out to Other Funds	.0	(1,993.3)	(3,469.0)	(2,709.0)	.0	(14,018.9)	.0	(4,114.5)	(500.5)	(26,805.2)	(80,821.6)	54,016.4	-66.8%
Net Transfer In/(Out)	15,064.1	688.5	(3,469.0)	(1,531.6)	.0	(14,018.9)	124.0	(2,534.6)	5,677.5	.0	.0	.0	n/a
Net Change in Unrestricted Cash	66.0	749.9	3,050.3	1,051.9	(912.2)	(2,432.6)	(1,836.3)	(2,426.3)	(4,314.1)	(7,003.3)	5,893.8	(12,897.1)	-218.8%
Ending Balance, Unrestricted Cash	\$9,383.9	\$5,595.9	\$5,868.2	\$10,747.1	\$(533.1)	\$13,189.6	\$(663.4)	\$(409.5)	\$33,179.7	\$76,358.4			
Beginning Balance, Designated Cash	\$3,074.6	\$2,562.3	\$28,636.0	\$18,506.3	\$10.7	\$0	\$7,908.2	\$7,148.0	\$13,026.8	\$80,872.8			
Changes in Designated Cash	.0	(11.1)	1,697.7	201.2	.0	.0	323.5	(3,641.8)	.0	(1,430.4)			
Ending Balance, Designated Cash	\$3,074.6	\$2,551.2	\$30,333.7	\$18,707.5	\$10.7	\$0	\$8,231.8	\$3,506.2	\$13,026.8	\$79,442.5			
Beginning Balance, Restricted Cash	\$2,052.4	\$1,449.4	\$21,324.4	\$3,976.3	\$987.4	\$8,733.2	\$3,123.3	\$0	\$0	\$41,646.5			
Changes in Restricted Cash	217.7	(133.4)	(12,450.0)	194.9	.0	(1,363.6)	1.2	.0	.0	(13,533.2)			
Ending Balance, Restricted Cash	\$2,270.1	\$1,316.0	\$8,874.4	\$4,171.2	\$987.4	\$7,369.6	\$3,124.5	\$0	\$0	\$28,113.3			

1) 2018 budget was prepared on a working capital basis, so comparison to cash basis budget is not exact

King County Housing Authority
Capital Budget
By Responsible Department
2019 Budget

EXHIBIT B

CONSTRUCTION ACTIVITIES

Managed by the Capital Construction Department

Public Housing Properties, excluding EPC	\$8,668,575
MKCRF Properties	1,387,420
Energy Performance Contract Upgrades	6,819,935
Other Properties	<u>700,000</u>

\$17,575,929

Managed by the Housing Management Department

Unit Upgrade Program	4,244,429
Other Projects	<u>1,251,204</u>

5,495,633

Managed by the Asset Management Department

Projects at Workforce Housing Properties	15,458,231
Energy Performance Contract Upgrades	38,000
Projects at Mobile Home Properties and Other	<u>1,744,871</u>

17,241,102

DEVELOPMENT/ACQUISITION ACTIVITIES

Managed by the Development Department

New Acquisitions	137,000,000
Hope VI Properties	5,410,203
Pre-development Activities-Redmond Bus Layover	5,750,000
Pre-development Activities-Other	<u>3,476,204</u>

151,636,407

OTHER ACTIVITIES

Vehicles	186,000
Other	<u>400,120</u>

586,120

\$192,535,191

THE HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5616

**AUTHORIZING APPROVAL OF THE COMPREHENSIVE OPERATING AND
CAPITAL BUDGETS FOR CALENDAR YEAR BEGINNING JANUARY 1, 2019**

WHEREAS, the Executive Director has submitted Comprehensive Operating and Capital Budget for the Calendar Year beginning January 1, 2019 (Calendar Year 2019); and

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

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

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

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

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

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

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

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

SECTION 1: The following expenditures are hereby authorized for the Calendar Year beginning January 1, 2019:

Fund Groups	Expenses	Capital	Total
Public Housing	\$26,198,063	\$10,175,026	\$36,373,089
Other Non-Profit Housing	20,112,943	1,387,420	21,500,363
Workforce Housing	62,184,845	137,000,000	199,184,845
Other Subsidized Housing	16,293,725	1,066,050	17,359,775
Housing Choice Voucher Program	188,786,348	0	188,786,348
MTW Program	23,885,492	700,000	24,585,492
Development Activities	609,798	14,636,527	15,246,325
Other Activities	14,056,063	4,247,434	18,303,497
Central Services	21,318,038	586,000	21,904,038
Total 2019 Expenditures	\$373,445,314	\$169,798,456	\$543,243,770

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 17TH DAY OF DECEMBER, 2018**

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

Doug Barnes, Chair
Board of Commissioners

Stephen J. Norman
Secretary-Treasurer

KING COUNTY HOUSING AUTHORITY
2019 Budget (Cash Basis)
(In \$1,000's; excludes non-KCHA-managed component units)

EXHIBIT A

	Neutral Cash Flow		Positive Cash Flow		Other Programs					2019	2018	Dollar	Percent
	Public Housing	Other Low Inc Housing	Workforce Housing	Other Low Inc Housing	Section 8 Program	MTW Program	Development Activities	Other Activities	COCC	Proposed Budget	Adopted Budget (1)	Change	Change
Beginning Balance, Unrestricted Cash	\$9,317.8	\$4,846.0	\$2,817.9	\$9,695.2	\$379.1	\$15,622.3	\$1,172.8	\$2,016.7	\$37,493.8	\$83,361.7			
Revenues													
Tenant Revenue	\$7,725.4	\$15,235.0	\$69,405.6	\$16,019.4	\$100.0	\$0	\$0	\$0	\$0	\$108,485.3	\$93,195.8	\$15,289.6	16.4%
Operating Fund Subsidy from HUD	6,146.2	337.3	.0	205.3	.0	434.8	.0	2,897.8	.0	10,021.4	8,664.8	1,356.6	15.7%
Section 8 Subsidy from HUD	.0	435.9	.0	.0	144,399.1	18,102.0	.0	.0	.0	162,937.0	143,118.8	19,818.2	13.8%
Other Operating Revenue	5,128.7	4,426.9	170.4	97.4	43,372.1	20.9	318.2	8,021.2	14,880.3	76,436.1	69,760.5	6,675.6	9.6%
Total Operating Revenues	19,000.4	20,435.1	69,575.9	16,322.0	187,871.2	18,557.8	318.2	10,919.1	14,880.3	357,879.9	314,739.9	43,140.0	13.7%
Expenses													
Salaries & Benefits	(5,807.3)	(3,043.0)	(9,169.0)	(2,412.8)	(8,088.5)	(4,619.9)	(335.5)	(2,376.0)	(15,629.3)	(51,481.3)	46,792.5	(98,273.7)	-210.0%
Routine Maintenance, Utilities, Taxes & Insurance	(5,679.3)	(4,342.6)	(12,134.5)	(3,445.6)	(280.0)	.0	.0	(16.5)	(224.4)	(26,123.0)	23,443.7	(49,566.7)	-211.4%
Other Social Service Support Expenses & HAP	(5,280.5)	(509.4)	(352.7)	(450.6)	(176,530.8)	(4,512.9)	.0	(5,637.4)	.0	(193,274.3)	169,803.7	(363,078.0)	-213.8%
Administrative Support Expenses	(4,444.6)	(1,539.5)	(6,314.7)	(1,472.3)	(3,887.1)	(733.7)	(150.6)	(364.9)	(4,268.4)	(23,175.7)	19,773.9	(42,949.6)	-217.2%
Total Operating Expenses	(21,211.8)	(9,434.4)	(27,970.9)	(7,781.2)	(188,786.3)	(9,866.6)	(486.0)	(8,394.9)	(20,122.1)	(294,054.2)	259,813.8	(553,868.0)	-213.2%
Operating Net Income	(2,211.4)	11,000.7	41,605.1	8,540.8	(915.2)	8,691.2	(167.9)	2,524.2	(5,241.8)	63,825.7	54,926.2	8,899.5	16.2%
Non-operating Revenue	2,571.9	1,587.6	5,111.8	5,308.4	2.9	1,233.5	2,008.3	480.4	2,655.6	20,960.4	31,909.0	(10,948.6)	-34.3%
Non-operating Expenses	(1,733.3)	(5,575.6)	(15,927.2)	(4,272.2)	.0	.0	(123.8)	(1,546.7)	(670.5)	(29,849.1)	19,117.0	(48,966.1)	-256.1%
Net Income	(1,372.7)	7,012.7	30,789.7	9,577.0	(912.2)	9,924.6	1,716.6	1,457.9	(3,256.7)	114,635.2	67,718.1	46,917.1	69.3%
Other Sources/(Uses) of Cash													
Capital Projects and Acquisitions	(13,428.0)	(4,497.0)	(151,817.8)	(2,597.4)	.0	(700.0)	(14,636.5)	(4,247.4)	(611.0)	(192,535.2)	(39,810.3)	(152,724.9)	383.6%
Changes in Designated Cash	.0	11.1	(1,697.7)	(201.2)	.0	.0	(323.5)	3,641.8	.0	1,430.4	(3,092.9)	4,523.3	-146.2%
Changes in Restricted Cash	(217.7)	133.4	12,450.0	(194.9)	.0	1,363.6	(1.2)	.0	.0	13,533.2	46,467.4	(32,934.2)	-70.9%
Changes in Receivables	(1,712.9)	(421.3)	17,274.4	2,509.7	.0	998.0	.0	.0	(5,224.0)	13,423.9	(63,307.3)	76,731.2	-121.2%
Changes in Other Assets	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	(4,671.8)	4,671.8	-100.0%
Changes in Debt	.0	(2,073.1)	99,520.7	(6,668.7)	.0	.0	5,500.0	.0	(900.0)	95,378.8	3,439.2	91,939.6	2673.3%
Changes in Other Liabilities	1,733.3	(104.2)	.0	159.1	.0	.0	5,784.4	(743.9)	.0	6,828.7	(848.6)	7,677.3	-904.7%
Changes in Equity	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	n/a
Total Other Sources/(Uses) of Cash	(13,625.4)	(6,951.3)	(24,270.4)	(6,993.4)	.0	1,661.6	(3,676.9)	(1,349.6)	(6,735.0)	(61,940.2)	(61,824.3)	(116.0)	0.2%
Transfer In from (Out to) Other Funds													
Transfers In from Other Funds	15,064.1	2,681.8	.0	1,177.4	.0	.0	124.0	1,579.9	6,178.0	26,805.2	80,821.6	(54,016.4)	-66.8%
Transfers Out to Other Funds	.0	(1,993.3)	(3,469.0)	(2,709.0)	.0	(14,018.9)	.0	(4,114.5)	(500.5)	(26,805.2)	(80,821.6)	54,016.4	-66.8%
Net Transfer In/(Out)	15,064.1	688.5	(3,469.0)	(1,531.6)	.0	(14,018.9)	124.0	(2,534.6)	5,677.5	.0	.0	.0	n/a
Net Change in Unrestricted Cash	66.0	749.9	3,050.3	1,051.9	(912.2)	(2,432.6)	(1,836.3)	(2,426.3)	(4,314.1)	(7,003.3)	5,893.8	(12,897.1)	-218.8%
Ending Balance, Unrestricted Cash	\$9,383.9	\$5,595.9	\$5,868.2	\$10,747.1	\$(533.1)	\$13,189.6	\$(663.4)	\$(409.5)	\$33,179.7	\$76,358.4			
Beginning Balance, Designated Cash	\$3,074.6	\$2,562.3	\$28,636.0	\$18,506.3	\$10.7	\$0	\$7,908.2	\$7,148.0	\$13,026.8	\$80,872.8			
Changes in Designated Cash	.0	(11.1)	1,697.7	201.2	.0	.0	323.5	(3,641.8)	.0	(1,430.4)			
Ending Balance, Designated Cash	\$3,074.6	\$2,551.2	\$30,333.7	\$18,707.5	\$10.7	\$0	\$8,231.8	\$3,506.2	\$13,026.8	\$79,442.5			
Beginning Balance, Restricted Cash	\$2,052.4	\$1,449.4	\$21,324.4	\$3,976.3	\$987.4	\$8,733.2	\$3,123.3	\$0	\$0	\$41,646.5			
Changes in Restricted Cash	217.7	(133.4)	(12,450.0)	194.9	.0	(1,363.6)	1.2	.0	.0	(13,533.2)			
Ending Balance, Restricted Cash	\$2,270.1	\$1,316.0	\$8,874.4	\$4,171.2	\$987.4	\$7,369.6	\$3,124.5	\$0	\$0	\$28,113.3			

1) 2018 budget was prepared on a working capital basis, so comparison to cash basis budget is not exact

T A B N U M B E R

6



Board of Commissioners
Doug Barnes, *Chair*
Michael Brown, *Vice-Chair*
Susan Palmer
TerryLynn Stewart
John Welch

Executive Director
Stephen J. Norman

To: Board of Commissioners

From: Mark Abernathy, Risk Manager

Date: December 5, 2018

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

During the December 17, 2018 Board meeting, the KCHA Risk Management Department (Risk Management) will provide a short summary of KCHA's risk management program, including the following topics:

- Coverage levels
- Completed Projects/Awards/Initiatives
- Insurance Costs and Claims History

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

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

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

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To: Board of Commissioners

From: Craig Violante, Director of Finance

Date: December 1, 2018

Re: **New Bank Accounts**

Since the last Board meeting KCHA opened 7 new bank accounts.

Bank: Key Bank

- Zephyr Apartments LLLP Supplemental Reserve
- Fairwind Apartments LLLP Supplemental Reserve

Purpose: The new Supplemental Reserve accounts are to provide for future operating or replacement needs without requesting further financial assistance from KCHA. The Supplemental Reserve will receive transfers from the Operating Accounts and hold these funds until needed.

Bank: Bank of America

- Housing Authority of the County of King—Golden Sunset Depository Account
- Housing Authority of the County of King—Juanita View Depository Account
- Housing Authority of the County of King—Kirkland Heights Depository Account
- Housing Authority of the County of King—Martin Luther King Apts. Depository Account
- Housing Authority of the County of King—Weller Apts.

Purpose: These new depository accounts will receive and hold all tenant revenue from these properties. The account will issue wires to the operating account out of which expenses are paid. The operating accounts are not yet opened.

T A B N U M B E R

8



KCHA Executive Dashboard

2018 Q3

July - September 2018

Households Served

point in time as of September 1, 2018¹

20,016

Finance

	Budgeted	Actual	Actual to Budget	
Revenue year-to-date	\$277,894,601	\$282,593,011	101.7%	
Expenditure year-to-date	\$249,723,709	\$243,543,590	97.5%	
LGIP Rate Investments	1.07%	2.06%	+0.99%	
Non-LGIP Investments	1.07%	1.75%	+0.68%	

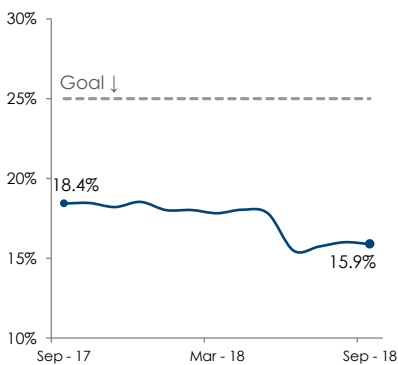
Housing Management

	Scope	Target	Sept '18	
Public Housing Occupancy ²	3,730 units	98.0%	99.0%	
Local Programs Occupancy	6,485 units	96.5%	97.1%	
Total Units Online ³	10,215 units	11,105	10,215	

Housing Choice Voucher Program Operations

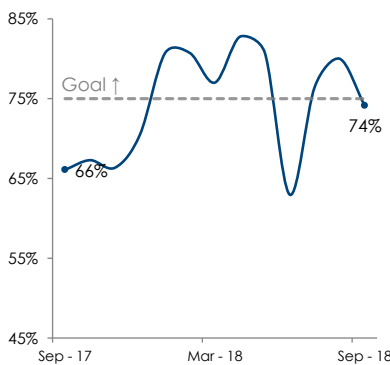
Shelter Burden

Households paying more than 40% of income for rent and utilities.



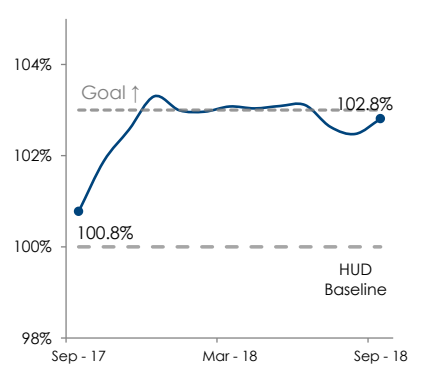
Shopping Success⁴

Lease-up within 240 days after voucher issuance, by cohort.



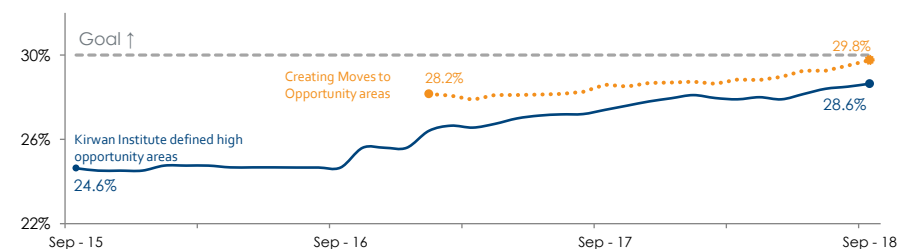
Utilization Rate⁵

Percentage of HUD ACC leased by month.



Increasing Access to Opportunity Areas

Percentage of federally-subsidized families with children living in high opportunity areas.



Notes

- 1) Includes households in both federally subsidized, workforce housing, and local programs.
- 2) Excludes 49 units in portfolio where turnover is not tracked monthly.
- 3) 11,105 represents the agency's acquisition stretch goal by the end of 2020.
- 4) Represents success of latest cohort to reach 240 days after voucher issuance.
- 5) Adjusted for 12-month incremental lease-up of new vouchers.