



MEETING OF THE BOARD OF COMMISSIONERS

June 18, 2018 at 8:30 a.m.

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

AMENDED 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 – May 21, 2018
- V. Approval of Agenda
- VI. Consent Agenda
 - A. Voucher Certification Report for April 2018 2
 - B. **Resolution No. 5598:** A Resolution of the Housing Authority of the County of King authorizing the Executive Director to submit an application for funding under the Washington State Department of Commerce Housing Preservation Program to finance capital improvements to Nike Manor 3
- VII. Resolutions for Discussion & Possible Action
 - A. **Resolution No. 5599:** Authorizing Higher Payment Standards for the Housing Choice Voucher Program 4

VIII. Executive Session

To consider the selection of a site or the acquisition of real estate by lease or purchase when public knowledge regarding such consideration would cause a likelihood of increased price (RCW 42.30.110 (1) (b))

IX. Resolutions for Discussion & Possible Action (Continued)

- A. **Resolution No. 5600:** Authorizing acquisition of the Howe Property **5**
located in Redmond, Washington

X. Briefings & Reports

- A. New Bank Accounts **6**
B. 2018 Midyear Federal Revenue Update **7**

XI. Executive Director Report

XII. KCHA in the News **8**

XIII. Commissioner Comments

XIV. Adjournment

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

T A B N U M B E R

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

Monday, May 21, 2018

I. CALL TO ORDER

The meeting of the King County Housing Authority Board of Commissioners was held on Monday, May 21, 2018 at King County Housing Authority, 600 Andover Park West, Tukwila WA. There being a quorum, the meeting was called to order by Chair Doug Barnes at 8:30 a.m.

II. ROLL CALL

Present: Commissioner Doug Barnes (Chair), Commissioner Michael Brown (Vice-Chair), Commissioner TerryLynn Stewart, Commissioner Susan Palmer, and Commissioner John Welch

III. Public Comment

None.

IV. APPROVAL OF MINUTES

A. Board Meeting Minutes – March 19, 2018

On motion by Commissioner Palmer and seconded by Commissioner Stewart, the Board unanimously approved the March 19, 2018 Board of Commissioners' Meeting Minutes.

V. APPROVAL OF AGENDA

On motion by Commissioner Stewart and seconded by Commissioner Brown, the Board unanimously approved the May 21, 2018 Board of Commissioners' meeting agenda.

VI. CONSENT AGENDA

A. Voucher Certification Reports for February 2018

GENERAL PROPERTIES

Bank Wires / ACH Withdrawals	2,592,466.40
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<i>Subtotal</i>	<u>2,592,466.40</u>
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Accounts Payable Vouchers

Key Bank Checks #314404 - #314878	7,203,388.51
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Tenant Accounting Checks #10546 - #10564	3,503.19
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KCHA Board of Commissioners'
May 21, 2018 Meeting Minutes
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Commerce Bank Direct Payment	44,045.67
<i>Subtotal</i>	<u>7,250,937.37</u>
Payroll Vouchers	
Checks - #90783 - # 90814	37,834.46
Direct Deposit	1,451,613.34
<i>Subtotal</i>	<u>1,489,447.80</u>
Section 8 Program Vouchers	
Checks - #620603 - #620906	268,254.17
ACH - #407279-#410051	12,608,734.12
<i>Subtotal</i>	<u>12,876,988.29</u>
Purchase Card / ACH Withdrawal	279,778.41
<i>Subtotal</i>	<u>279,778.41</u>
GRAND TOTAL	24,489,618.27

BOND PROPERTIES

Bond Properties Total (37 different properties) **\$2,571,872.20**

B. Voucher Certification Reports for March 2018

GENERAL PROPERTIES

Bank Wires / ACH Withdrawals	52,718,705.22
<i>Subtotal</i>	<u>52,718,705.22</u>
Accounts Payable Vouchers	
Key Bank Checks #314879 - #315515	6,600,640.51
Tenant Accounting Checks #10565 - #10585	1,773.69
Commerce Bank Direct Payment	39,232.99
<i>Subtotal</i>	<u>6,641,647.19</u>
Payroll Vouchers	
Checks - #90815 - # 90854	46,351.42
Direct Deposit	1,465,875.18
<i>Subtotal</i>	<u>1,512,226.60</u>
Section 8 Program Vouchers	
Checks - #620907 - #621217	209,747.95
ACH - #410052-#412808	12,773,524.78
<i>Subtotal</i>	<u>12,983,272.73</u>
Purchase Card / ACH Withdrawal	214,502.96
<i>Subtotal</i>	<u>214,502.96</u>

**GRAND
TOTAL \$74,070,354.70**

BOND PROPERTIES

Bond Properties Total (37 different properties) **\$15,643,460.81**

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

VII. RESOLUTIONS FOR DISCUSSION & POSSIBLE ACTION

- A. **Resolution No. 5594: Authorizing Jill Stanton as contracting officer, signator, and agent designated to receive claims for damages**

Outgoing Deputy Executive Director Connie Davis, introduced Jill Stanton as her replacement, and explained Resolution No. 5594; allowing for the transfer of signature authority and designated as agent to receive claims for damages to Ms. Stanton.

On motion by Commissioner Palmer and seconded by Commissioner Brown, the Board unanimously approved Resolution No. 5594.

- B. **Resolution No. 5595: Authorizing the Authority to loan its Energy Performance Project up to \$7.5 million to finance energy efficiency improvements at Public Housing properties; and authorizing the execution of related documents**

Connie Davis presented Resolution No. 5595, and provided background information on the Energy Performance Contract (EPC), as well as explained the process and risks associated with the proposed incremental loan to the EPC project.

On motion by Commissioner Stewart and seconded by Commissioner Palmer, the Board unanimously approved Resolution No. 5595.

- C. **Resolution No. 5596: Authorizing Termination of the Swap and Caps for 2005 Pool**

Tim Walter, presented background information on Resolution No. 5596, and mentioned that the current swap provider requires acknowledgement by the Board of this transaction.

On motion by Commissioner Brown and seconded by Commissioner Stewart, the Board unanimously approved Resolution No. 5596.

- D. **Resolution No. 5597: Honorary Resolution commending Connie Davis, outgoing Deputy Executive Director, for over 23 years of service and commitment to the King County Housing Authority**

No action was required to be taken by the Board.

VIII. BRIEFINGS AND REPORTS

- A. **Fourth Quarter 2017 Financial Report**

Mr. Violante briefed the Board on the Financial Statements for the Fourth Quarter in Calendar Year 2017.

- B. **First Quarter 2018 Financial Report**

Mr. Violante also briefed the Board on the Financial Statements for the First Quarter in Calendar Year 2018.

- C. **First Quarter 2018 Summary Write-offs**

Mr. Violante also presented the Write-Offs for the First Quarter of 2018.

- D. **New Bank Accounts**

Craig Violante, Director of Finance, mentioned that KCHA opened four (4) new bank accounts with KeyBank.

- E. **First Quarter 2018 Procurement Report**

Staff reported on the procurement activities for the period of January through March 2018. The report represents the activity involved in the award of contracts over the amount of \$100,000 and change orders that cumulatively exceed 10% of the original contract amount.

- F. **First Quarter 2018 Dashboard Report**

Andrew Calkins, Policy Administrative Program Manager provided an update on the Executive Dashboard Report.

- G. **Resident Characteristics Report**

A report on KCHA's Resident Characteristics was provided by Alexis Warth, Senior Management Analyst, and included a summary of the 2017 analyses of KCHA households

IX. EXECUTIVE DIRECTOR'S REPORT

Stephen Norman, Executive Director provided an update on the Firs Mobile Home Park, located in the City of SeaTac, and the Renewal Funding Inflation Factors (RFIF). Mr. Norman mentioned that KCHA's annual report was part of the Board materials. Mr. Norman also provided a brief overview of two recent media publications, one issued by The Stranger, and the other by SLATE Magazine.

X. KCHA IN THE NEWS

None.

XI. COMMISSIONER COMMENTS

XII. ADJOURNMENT

Chair Barnes adjourned the meeting at 10:41 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

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To: Board of Commissioners
From: Linda Riley, Controller
Date: May 31, 2018
Re: **VOUCHER CERTIFICATION FOR APRIL 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
 May 31, 2018

Bank Wires / ACH Withdrawals		50,965,494.24
	<i>Subtotal</i>	50,965,494.24
Accounts Payable Vouchers		
Key Bank Checks - #315516-#316007		4,731,507.22
Tenant Accounting Checks - #10586-#10603		3,799.51
Commerce Bank Direct Payment		90,629.85
	<i>Subtotal</i>	4,825,936.58
Payroll Vouchers		
Checks - #90855-#90890		42,827.83
Direct Deposit		1,451,501.48
	<i>Subtotal</i>	1,494,329.31
Section 8 Program Vouchers		
Checks - #621218-#621535		241,631.88
ACH - #412809-#415529		12,792,746.77
	<i>Subtotal</i>	13,034,378.65
Purchase Card / ACH Withdrawal		214,502.96
	<i>Subtotal</i>	214,502.96
	GRAND TOTAL	\$ 70,534,641.74

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

FROM: Wen Xu

SUBJECT: VOUCHER CERTIFICATION FOR APRIL 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
Director of Asset Management
May 22, 2018

Property Apr-18	Wired to Operating Account(s) for Obligations of Property			Notes:
	Date	\$	Claim	
<u>Alpine Ridge</u>	4/5/2018	\$5,055.74	Payroll & A/P	
	4/12/2018	\$23,939.19	A/P	
	4/19/2018	\$3,120.27	Payroll & A/P	
	4/26/2018	\$1,330.04	A/P	
	4/26/2018	\$24,329.98	A/P	
<u>Arbor Heights</u>	4/5/2018	\$9,770.35	Payroll & A/P	
	4/12/2018	\$16,222.17	A/P	
	4/19/2018	\$6,931.52	Payroll & A/P	
	4/26/2018	\$4,793.10	A/P	
	4/26/2018	\$33,366.65	A/P	
<u>Aspen Ridge</u>	4/5/2018	\$7,826.98	Payroll & A/P	
	4/12/2018	\$12,771.34	A/P	
	4/19/2018	\$6,600.95	Payroll & A/P	
	4/26/2018	\$933.24	A/P	
	4/26/2018	\$14,959.91	A/P	
<u>Auburn Square</u>	4/5/2018	\$21,237.71	Payroll & A/P	
	4/12/2018	\$57,236.87	A/P	
	4/19/2018	\$12,303.71	Payroll & A/P	
	4/26/2018	\$18,420.99	A/P	
<u>Carriage House</u>	4/5/2018	\$17,727.80	Payroll & A/P	
	4/11/2018	\$1,499.34	A/P	
	4/12/2018	\$17,421.95	A/P	
	4/19/2018	\$15,842.08	Payroll & A/P	
	4/26/2018	\$29,429.81	A/P	
<u>Cascadian</u>	4/5/2018	\$19,851.01	Payroll & A/P	
	4/11/2018	\$1,115.02	A/P	
	4/12/2018	\$10,993.31	A/P	
	4/19/2018	\$14,632.99	Payroll & A/P	
	4/26/2018	\$46,953.38	A/P	
<u>Colonial Gardens</u>	4/5/2018	\$6,952.78	Payroll & A/P	
	4/11/2018	\$85.33	A/P	
	4/12/2018	\$9,562.15	A/P	
	4/18/2018	\$29,996.01	Deposit Correction	
	4/19/2018	\$2,867.99	Payroll & A/P	
	4/26/2018	\$10,550.11	A/P	
<u>Fairwood</u>	4/5/2018	\$14,517.38	Payroll & A/P	
	4/12/2018	\$21,462.34	A/P	
	4/19/2018	\$11,424.56	Payroll & A/P	
	4/26/2018	\$19,289.41	A/P	
<u>Heritage Park</u>	4/5/2018	\$9,839.75	Payroll & A/P	
	4/11/2018	\$722.74	A/P	
	4/12/2018	\$41,163.00	A/P	
	4/19/2018	\$7,302.74	Payroll & A/P	
	4/26/2018	\$1,049.84	A/P	
	4/26/2018	\$14,119.72	A/P	
<u>Laurelwood</u>	4/5/2018	\$11,766.91	Payroll & A/P	
	4/11/2018	\$939.00	A/P	
	4/12/2018	\$14,723.01	A/P	
	4/19/2018	\$9,107.69	Payroll & A/P	
	4/26/2018	\$30,139.24	A/P	
<u>Meadows</u>	4/5/2018	\$6,813.12	Payroll & A/P	
	4/11/2018	\$777.66	A/P	
	4/12/2018	\$12,682.26	A/P	
	4/19/2018	\$7,553.05	Payroll & A/P	
	4/26/2018	\$20,181.24	A/P	
<u>Newporter</u>	4/5/2018	\$13,748.31	Payroll & A/P	
	4/12/2018	\$24,646.98	A/P	
	4/19/2018	\$10,254.21	Payroll & A/P	
	4/26/2018	\$19,956.60	A/P	

Overlake TOD	4/5/2018	\$107,893.68	Payroll & A/P
	4/11/2018	\$520.00	A/P
	4/11/2018	\$13,644.07	A/P
	4/12/2018	\$31,392.87	A/P
	4/19/2018	\$19,165.42	Payroll & A/P
	4/26/2018	\$29,925.55	A/P
Parkwood	4/5/2018	\$8,822.54	Payroll & A/P
	4/11/2018	\$526.00	Deposit Correction
	4/11/2018	\$404.34	A/P
	4/12/2018	\$46,040.02	A/P
	4/19/2018	\$5,902.57	Payroll & A/P
	4/26/2018	\$18,481.48	A/P
Somerset East	4/5/2018	\$9,954.97	Payroll & A/P
	4/5/2018	\$5,209.00	Deposit Correction
	4/11/2018	\$2,881.00	A/P
	4/12/2018	\$6,203.24	A/P
	4/19/2018	\$2,510.87	Payroll & A/P
Somerset West	4/5/2018	\$5,644.79	Payroll & A/P
	4/5/2018	\$3,380.00	Deposit Correction
	4/11/2018	\$3,404.00	A/P
	4/12/2018	\$8,741.08	A/P
	4/19/2018	\$2,263.95	Payroll & A/P
Southwood Square	4/5/2018	\$18,701.03	Payroll & A/P
	4/11/2018	\$2,519.66	A/P
	4/12/2018	\$22,695.32	A/P
	4/19/2018	\$7,543.19	Payroll & A/P
	4/26/2018	\$12,713.57	A/P
Timberwood	4/5/2018	\$16,549.15	Payroll & A/P
	4/12/2018	\$64,887.95	A/P
	4/19/2018	\$8,585.10	Payroll & A/P
	4/26/2018	\$29,359.53	A/P
Walnut Park	4/5/2018	\$13,087.21	Payroll & A/P
	4/12/2018	\$49,226.69	A/P
	4/19/2018	\$9,007.02	Payroll & A/P
	4/26/2018	\$15,313.99	A/P
Windsor Heights	4/5/2018	\$9,141.00	Payroll & A/P
	4/5/2018	\$16,336.90	Payroll & A/P
	4/11/2018	\$3,767.47	A/P
	4/12/2018	\$60,045.86	A/P
	4/19/2018	\$23,646.53	Payroll & A/P
	4/26/2018	\$791.67	A/P
Woodland North	4/26/2018	\$38,017.92	A/P
	4/5/2018	\$8,168.77	Payroll & A/P
	4/11/2018	\$1,504.24	A/P
	4/12/2018	\$14,154.79	A/P
	4/19/2018	\$4,357.99	Payroll & A/P
Woodridge Park	4/26/2018	\$39,019.13	A/P
	4/5/2018	\$29,618.67	Payroll & A/P
	4/11/2018	\$6,732.80	A/P
	4/12/2018	\$26,376.09	A/P
	4/19/2018	\$27,846.53	Payroll & A/P
Ballinger Commons	4/26/2018	\$30,718.37	A/P
	4/5/2018	\$107,339.51	A/P & Payroll
Gilman Square	4/18/2018	\$217,879.01	A/P & Payroll
	4/5/2018	\$29,725.28	A/P & Payroll
Meadowbrook	4/18/2018	\$57,180.58	A/P & Payroll
	4/5/2018	\$23,413.88	A/P & Payroll
Villages at South Station	4/10/2010	\$45,750.78	A/P & Payroll
	4/5/2018	\$52,110.63	A/P & Payroll
Abbey Ridge	4/18/2018	\$46,832.77	A/P & Payroll
	4/5/2018	\$85,669.89	A/P & Payroll
Cottonwood	4/19/2018	\$44,549.99	A/P & Payroll
	4/5/2018	\$58,549.92	A/P & Payroll
Cove East	4/19/2018	\$10,447.24	A/P & Payroll
	4/5/2018	\$43,626.97	A/P & Payroll
Highland Village	4/19/2018	\$44,935.96	A/P & Payroll
	4/5/2018	\$28,333.78	A/P & Payroll
	4/19/2018	\$12,688.21	A/P & Payroll

Bellepark East	4/5/2018	\$1,736.59	A/P	
	4/11/2018	\$20,917.52	A/P & Payroll	
	4/18/2018	\$5,456.49	A/P	
	4/25/2018	\$22,364.87	A/P & Payroll	
Landmark	4/5/2018	\$2,606.83	A/P	
	4/11/2018	\$26,302.93	A/P & Payroll	
	4/18/2018	\$525.17	A/P	
	4/25/2018	\$37,800.60	A/P & Payroll	
Woodside East	4/5/2018	\$7,650.70	A/P	
	4/11/2018	\$33,053.48	A/P & Payroll	
	4/18/2018	\$32,483.74	A/P	
	4/25/2018	\$40,039.05	A/P & Payroll	
Rainier View I	4/5/2018	\$2,763.17	A/P	
	4/12/2018	\$17,258.12	A/P	
	4/19/2018	\$9,931.23	A/P	
Rainier View II	4/5/2018	\$1,998.45	A/P	
	4/12/2018	\$14,526.02	A/P	
	4/19/2018	\$6,806.85	A/P	
Si View	4/5/2018	\$2,256.97	A/P	
	4/12/2018	\$7,505.70	A/P	
	4/19/2018	\$7,800.73	A/P	
Vashon Terrace	4/18/2018	\$5,273.33	A/P	
Portfolio Total:		\$3,003,257.14		

T A B N U M B E R

3



TO: Board of Commissioners

From: Daniel Landes, Senior Development Manager

Date June 12, 2018

Re: **Resolution No. 5598:** A Resolution of the Housing Authority of the County of King authorizing the Executive Director to submit an application for funding under the Washington State Department of Commerce Housing Preservation Program to finance improvements to Nike Manor

Nike Manor was acquired by KCHA from the Federal government in 1990. The 31 unit property covers 9.4 acres and was originally used to house crews for the region's Nike missile installations. The site is not part of the public housing program and receives no on-going subsidies from the Federal government. There is no existing debt on the property. Oversight of the property is provided by the Asset Management Department.

As part of the disposition agreement with the Federal government under the Surplus Military Housing Program of the McKinney-Vento Act, the site is reserved for programs serving homeless households until 2024. For over twenty years KCHA has leased this housing to a consortium of non-profit homeless service providers – the Multi-Service Center, St. Stephens Housing Association and Navos Mental Health Solutions – who provide emergency shelter, transitional housing and permanent housing for homeless individuals and families. Operations of the site are covered by lease payments from the providers and limited operating subsidies from Washington State. Cash flow on the property is not adequate to the on-going capital replacement needs of the property.

The buildings at Nike Manor were constructed in 1963 and are now in need of significant capital upgrades. KCHA recently commissioned a Capital Needs Assessment from Jeff Samdal & Associates, and it identified over \$600,000 in necessary near-term capital improvements.

In 2017, the Washington State Legislature created the Housing Preservation Program, setting aside \$10,000,000 to finance major capital improvements at properties that previously received funding through the Housing Trust Fund. The Washington State Department of Commerce issued a Notice of Funding Availability ("NOFA") for this program with an application deadline of June 30, 2018. KCHA staff have reviewed the NOFA and determined that Nike Manor met the minimum criteria needed to submit an application for funding.

Resolution No. 5598 authorizes KCHA staff to submit an application for up to \$750,000 in grant funding from the Housing Preservation Program to be used to finance near-term capital needs including roof and siding replacements. Staff recommends approval of this resolution.

HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5598

(Nike Manor)

A RESOLUTION of the Housing Authority of the County of King authorizing the Executive Director to submit an application for funding under the Washington State Department of Commerce Housing Preservation Program to finance improvements to Nike Manor.

ADOPTED June 18, 2018

HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5598

(Nike Manor)

A RESOLUTION of the Housing Authority of the County of King authorizing the Executive Director to submit an application for funding under the Washington State Department of Commerce Housing Preservation Program to finance improvements to Nike Manor.

WHEREAS, RCW 35.82.070(5) provides that a housing authority may, among other things and if certain conditions are met, “lease or rent any dwellings . . . buildings, structures or facilities embraced in any housing project”; and

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

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

WHEREAS, RCW 35.82.070(02) provides that a housing authority has the power “to provide for the construction, reconstruction, improvement, alteration or repair of any housing project or any part thereof” ; and

WHEREAS, the Authority has owned certain real property called Nike Manor located at 23948 35th Place South, Kent, Washington currently containing 31 units of low income housing since 1990 and has used this property to provide emergency shelter, transitional housing and permanent housing for homeless individuals and families (the “Project”); and

WHEREAS, the Washington State Legislature created a Housing Preservation Program (“HPP”) in 2017 which set aside \$10,000,000 for major building improvements, preservation, and system replacements necessary for the long-term viability of the housing properties previously financed in whole or in part with funding from the Washington State Department of Commerce (“WSDOC”) through its

Housing Trust Fund (“HTF”), and WSDOC has issued a Notice of Funding Availability for this program;
and

WHEREAS, the Project has been previously financed in part by WSDOC’s HTF and therefore is eligible to apply for the funding through the Housing Preservation Program; and,

WHEREAS, the Authority desires to make necessary capital improvements to the Project; and,

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

Section 1: The Authority is authorized and directed to submit an application to the Washington State Department of Commerce for up to \$750,000 of funds from the Housing Preservation Program for near-term capital improvements at the Project, and should this application be awarded funds, the Executive Director is authorized to execute any agreements necessary to secure such funds, including but not limited to covenants, contracts, loan agreements, notes, deeds of trust, regulatory agreements and such other documents as may be deemed reasonable by the Executive Director.

Section 2. 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 THIS 18TH DAY OF JUNE, 2018.

HOUSING AUTHORITY OF THE COUNTY OF
KING

By: _____
Chair

ATTEST:

Executive Director

T A B N U M B E R



To: Board of Commissioners

From: Andrew Calkins, Senior Program Manager

Date: June 12, 2018

Re: **Resolution No. 5599:** Authorizing Higher Payment Standards for the Housing Choice Voucher Program

Executive Summary

Payment standards are an important component of KCHA's work to ensure that the nearly 10,000 households using a tenant-based voucher through the Housing Choice Voucher Program (HCV or Section 8) can secure and maintain safe and affordable housing, across the county. Since the Housing Authority's transition from a two-tiered to multi-tiered system, in March 2016, KCHA has increased payment standards to keep pace with increasing local rental market costs. While payment standards have traditionally been adjusted only once, at the beginning of each year, this year staff engaged in a process to analyze the rental market throughout the year and if necessary, to make mid-year adjustments. At the June 18th, 2018 Board of Commissioners meeting, staff will present high-level findings from this mid-year analysis, and will request approval of moderately higher payment standards in three of the six payment standard tiers.

The proposed payment standard adjustment, when combined with the December 2017 adjustment and expected voucher-level rent inflation of 6.5%, will increase the annualized cost of Housing Assistance Payments (HAP) within the Moving to Work (MTW) block grant by \$7.6 million upon full implementation. While the majority of this cost is attributable to the previously-approved December 2017 payment standard change, and projected over-all 2018 rent inflation and included in the 2018 budget, \$480,494 is attributable to this payment standard change.

Background

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 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) Containing shelter burdens for most households participating in the program in the 30% to 40% of income range.

An internal outcomes assessment of the multi-tiered payment standard system, completed in 2017, concluded that the system is largely achieving these aims. In the year following implementation, moves to more costly and higher opportunity areas nearly doubled among families with children, KCHA saw considerable cost containment as a result of more fine-grained payment standards, shelter burdens dropped and shopping success rates were slightly higher.

2018 Mid-Year Payment Standards Review Process

KCHA has made a commitment to review payment standards at least on an annual basis to ensure that each ZIP code is placed in the tier that best matches its rental market, that the multi-tiered system continues to capture the full variability of rents across King County, and that standards are set at the 40th percentile level within each tier. In recent years, market rents have increased drastically throughout the year, putting outsized pressure on voucher holders trying to find and remain in their housing. To more proactively respond to these market pressures, staff has undertaken a process in between these annual analyses to study the rental market and make any necessary interim adjustments to the payment standard amounts. Due to the complexity and administrative burden of moving ZIP codes across tiers and/or adding new tiers, interim analyses are confined to potential changes to be made to the payment standard amounts themselves.

During this year's analysis, staff reviewed external market rent data from Apartment Insights and Zillow, and reviewed these trends against those rents paid by existing and new voucher holders in different areas of the county.¹ As with last year's analysis, staff also incorporated feedback from housing caseworkers and other members of the HCV team.

Analysis Findings

According to Zillow, median rents in King County have risen 18.3% over the last three years. However, in the last year, growth has slowed considerably with rents increasing by only 1.2%. This cooling off of rents masks the continued growth in rents in traditionally low-cost areas of South King County that see large concentrations of KCHA voucher holders. Zillow reports median rent increases over the last year of 7.0% in Kent, 7.2% in Auburn, 6.2% in Des Moines, 5.1% in Burien, and 4.6% in Federal Way. Conversely, the high cost cities of Kirkland, Issaquah, and Redmond in Tiers 5 and 6

¹ KCHA has traditionally used Dupre + Scott to analyze payment standards. Dupre + Scott closed their business suddenly at the end of 2017 and their survey data is no longer being updated.

have all seen increases at or below 1.0%. Data from Apartment Insights further supports these trends while revealing that there is variance in growth rates between one- and two-bedroom rents. Specifically, in Tier 1 rents have grown faster for two-bedroom units; in Tiers 2 and 3 one-bedroom rents have risen faster.

External market trends largely align with those observed by HCV staff members and internal KCHA data on rents paid by voucher holders. Specifically, households currently leased in Tiers 1, 2, and 3, which largely encompass areas of South and North King County, have seen higher rent increase percentages from landlords: 6.8% in Tier 1, 6.3% in Tier 2, and 8.9% in Tier 3, versus 5.2% in Tier 6. Further, households in Tiers 1, 2, and 3 are considerably more likely to lease at a rent level above the current payment standards. As of May 1st, between 22% and 25% of one-bedroom voucher holders in these tiers were renting units above the payment standard, versus between 8% and 11% of those in Tiers 4, 5, and 6.

Recommended Payment Standard Adjustments

To respond to the continued upward pressure on rents in lower cost areas of King County, staff is recommending a moderate increase in payment standard amounts in Tiers 1, 2, and 3. While reflecting a lower rate of increase than previous Board-approved payment standard changes, these adjustments will ensure that the multi-tiered system continues to achieve its aims throughout the year.

Existing vs. Recommended 2018 Payment Standards*						
		Studios	1 BR	2 BR	3 BR	4 BR
Tier 1	<i>Current</i>	\$900 +30	\$1,085 +40	\$1,325 +60	\$1,725 +70	\$2,320 +70
	<i>Proposed</i>	\$930	\$1,125	\$1,385	\$1,795	\$2,390
Tier 2	<i>Current</i>	\$960 +20	\$1,160 +25	\$1,420 +15	\$1,845 +25	\$2,345 +80
	<i>Proposed</i>	\$980	\$1,185	\$1,435	\$1,870	\$2,425
Tier 3	<i>Current</i>	\$1,060 +30	\$1,210 +35	\$1,475 +15	\$1,920 +30	\$2,580 +40
	<i>Proposed</i>	\$1,090	\$1,245	\$1,490	\$1,950	\$2,620
Tier 4	<i>Current</i>	\$1,100	\$1,435	\$1,670	\$2,180	\$2,840
		--	--	--	--	--
Tier 5	<i>Current</i>	\$1,305	\$1,620	\$1,835	\$2,385	\$3,165
		--	--	--	--	--
Tier 6	<i>Current</i>	\$1,630	\$1,760	\$2,065	\$2,685	\$3,405
		--	--	--	--	--

* 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 more than 40% of their income on rent from 18% to 11%.² As with past adjustments, staff is proposing to implement new payment standards on a rolling basis at a households' next interim or annual reexamination (for working households on the WIN Rent program this could take up to two years; for fixed income households on the EASY Rent program it could take up to three years). Severely rent

² When excluding households renting units with more bedrooms than their voucher subsidizes, the percentage of shelter-burdened households will decrease from 15% to 8%.

burdened households would have the option of filing a hardship request for implementation of the new standards – which could then take place immediately.

Financial 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. While the proposed payment standard increase is expected to increase HAP costs by \$480,494, we received a higher than budgeted Rental Funding Inflation Factor (RFIF) which will increase our HAP revenue this year and our baseline funding going forward. We believe this increase will be sufficient to cover the increased costs of both the December 2017 and 2018 payment standard changes over the next couple of years. We will continue to closely monitor our HCV program revenues and expenses.

Staff Recommendation

Approval of Resolution No. 5599 is recommended.

APPENDIX A: 2018 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				

Payment Standards Amounts

	Studios	1 BR	2 BR	3 BR	4 BR
Tier 1	\$930	\$1,125	\$1,385	\$1,795	\$2,390
Tier 2	\$980	\$1,185	\$1,435	\$1,870	\$2,425
Tier 3	\$1,090	\$1,245	\$1,490	\$1,950	\$2,620
Tier 4	\$1,100	\$1,435	\$1,670	\$2,180	\$2,840
Tier 5	\$1,305	\$1,620	\$1,835	\$2,385	\$3,165
Tier 6	\$1,630	\$1,760	\$2,065	\$2,685	\$3,405

Distribution of Tenant-Based Vouchers by Tier & Bedroom Size May 1, 2018

	Studios	1 BR	2 BR	3 BR	4 BR+
Tier 1	2	217	233	79	22
Tier 2	38	1417	1317	697	358
Tier 3	20	728	1110	698	397
Tier 4	12	296	258	164	90
Tier 5	4	158	244	100	46
Tier 6	25	510	510	236	41

THE HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION No. 5599

**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 the multi-tiered payment standards system, and the configuration of ZIP codes therein on at least an annual basis; and

WHEREAS, the Housing Authority last increased payment standards and implemented a sixth tier on the 20th day of November 2017; and

WHEREAS, it has been determined that an additional increase in payment standards in Tiers 1, 2, and 3 will ensure that standards continue to match regional rent trends, maintain voucher holder lease-up rates, and limit shelter burden; and

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

WHEREAS, the Housing Authority has sufficient resources to fund higher payment standards; and,

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

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

The Payment Standards for the Housing Authority's Housing Choice Voucher program are hereby adjusted in accordance with the proposed recommendations, set forth at the June 18th 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 18th DAY OF JUNE 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: Dan Watson, Deputy Executive Director

DATE: June 14, 2018

RE: **Resolution No. 5600:** Authorizing acquisition of the Howe Property in Redmond, Washington

Executive Summary

Resolution No. 5600 would authorize the acquisition of a parcel of real property located at 16725 Cleveland Street in Redmond, Washington (the “Howe Property”). The half acre parcel, consisting of one commercial building, is located adjacent to the planned Sound Transit Redmond North Light Rail Station. The purpose of the acquisition is to further the potential assemblage of properties necessary for co-location of an affordable housing development with a King County Metro bus transit layover facility that will service this transportation node.

Background

In anticipation of the Redmond North light rail station, King County has spent considerable time identifying a potential bus layover facility location to support feeder bus routes for the light rail stop. The facility will provide off-street parking for electric buses in-between routes and will include bus recharging stations and respite facilities for the drivers. The County has identified a location proximate to the rail station that is currently occupied by commercial occupants in three contiguous privately owned parcels.

While seeking to acquire land for its layover facility the County, in furtherance of its public goals regarding the development of affordable housing and residential density adjacent to light rail access, has further identified the possibility of dual use of this site to also provide affordable housing.

County Request - The County has requested that KCHA assist in the assemblage of this site and further determine the feasibility of an affordable housing apartment complex built over the layover facility. KCHA has, however, also identified the acquisition of the Howe Property to be time sensitive and foundational to the feasibility of a co-located housing/transit development. The County has indicated a willingness to work with KCHA to significantly mitigate the Authority’s financial exposure in moving forward with this acquisition this early in the feasibility process.

Current Status – KCHA has entered into negotiations to acquire the Howe Property, which is central to acquiring a sufficient land assemblage at this location. A Phase I environmental report, a title review and an appraisal are in process. The terms of the transaction include an initial option payment of \$240,000, which would not be released to the seller until these reviews have been satisfactorily completed.

Actual acquisition of the property by KCHA, if it occurs, would not happen until the beginning of 2019. KCHA will utilize this extended contract period to more fully explore over-all project feasibility with King County and the City of Redmond.

Staff Recommendation

Adoption of Resolution No. 5600 is recommended.

THE HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5570

**A RESOLUTION AUTHORIZING ACQUISITION OF THE HOWE PROPERTY
LOCATED IN REDMOND, WASHINGTON**

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

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

WHEREAS, RCW 35.82.070(2) and (3) provide, in part, that a housing authority shall have the power to provide for the construction of housing projects within its area of operations; and

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

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

WHEREAS, RCW 35.82.120 directs that in the planning and creation of any housing project a housing authority shall take into consideration the relationship of the

project to any larger plan or long-range program for the development of the area in which the housing authority functions; and

WHEREAS, King County (the “County”) has identified a specific property, comprised of a commercial building containing approximately 7,800 gross square feet located on a lot containing approximately 25,900 square feet, and commonly known as 16725 Cleveland Street, Redmond, Washington (the “Howe Property” or “Property”) as a priority location for a County bus layover site for transit servicing the planned adjacent light rail station; and

WHEREAS, the Housing Authority has identified the area surrounding and including the Property as a high priority location for locating a transit-oriented affordable housing project for low-income households; and

WHEREAS, the County has asked the Housing Authority to evaluate the viability of the Property for the co-location of a County bus transit layover facility and an affordable housing transit-oriented development apartment project; and

WHEREAS, acquisition of the Property by the Housing Authority will serve the mission of the Housing Authority and the housing goals of the region by allowing the Authority to acquire the Property, prior to expected appreciation of property values, in anticipation of constructing low income housing units on the Property, which will be consistent with the larger plan for development of the area surrounding the Property; and

WHEREAS, RCW 35.82.070(5) authorizes a housing authority to acquire real property by exercise of the power of eminent domain or by purchase in lieu of exercise of the power of eminent domain; and,

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

Section 1: Acquisition of the Property by the Housing Authority is necessary to provide affordable housing for persons of low income that is equitably distributed throughout areas of the Authority's operations, in planned mass transit corridors with rising rents and high housing market costs in particular, and in a location that takes into consideration the relationship of the project to the larger plan or long-range program for the development of the area in which the Housing Authority functions.

Section 2: If the Housing Authority should be unsuccessful in acquiring the Property from the owner on satisfactory terms through negotiation and purchase in lieu of condemnation, the Board of Commissioners hereby authorizes the Executive Director to acquire the Property by condemnation through the exercise of the Housing Authority's power of eminent domain for a price that is anticipated to be approximately Five Million Five Hundred Thousand Dollars but which shall not exceed 110% of the appraised value of the Property pursuant to an appraisal completed by a Washington State licensed appraiser. The Executive Director is hereby further vested with the authority, and with discretion in the exercise thereof, to give notice to the current owner of the Property of the Housing Authority's intention to acquire the Property by eminent domain if it is unsuccessful in acquiring the Property on satisfactory terms through negotiation and purchase in lieu of condemnation.

Section 3: The Executive Director is hereby vested with the authority, and with discretion in the exercise thereof, to attempt to negotiate purchase of the Property from

the owner in lieu of condemnation. If the Executive Director is successful in negotiation of the purchase of the Property from the owner in lieu of condemnation, then the Executive Director is hereby authorized (a) to sign a Purchase and Sale Agreement providing for the acquisition of the Property containing such terms and conditions as are customary in such transactions and as are deemed by the Executive Director to be in the best interests of the Housing Authority, and (b) to pay a non-refundable option payment not to exceed Three Hundred Thousand Dollars (\$300,000.00) which shall be applied toward the purchase price in the event the Housing Authority acquires the Property.

Section 4: The Executive Director is further hereby vested with the authority, and with discretion in the exercise of such authority, to make a final determination after reviewing the results of the due diligence of the Property as to whether to proceed with the purchase of the Property if he deems it in the best interest of the Housing Authority. If the Executive Director makes a final determination to proceed, the Board of Commissioners hereby further authorizes the Executive Director, Stephen J. Norman, to take any and all actions necessary to consummate acquisition of the Property.

Section 5: The Board of Commissioners hereby authorizes the Executive Director, Stephen J. Norman, to execute any and all applications, agreements, certifications or other documents in connection with the submission of various funding and financing applications or to make any other arrangements necessary, in order to provide all or part of the interim and/or permanent financing of the Property.

Section 6: The Board of Commissioners hereby authorizes the Executive Director, Stephen J. Norman, and in his absence, Deputy Executive Director Daniel R. Watson or Deputy Executive Director Jill Stanton, to execute on behalf of the Housing

Authority any and all contracts, agreements, certifications or other documents in connection with the acquisition of the Property.

**ADOPTED BY THE BOARD OF COMMISSIONERS OF THE HOUSING
AUTHORITY OF THE COUNTY OF KING THIS 18th DAY OF JUNE, 2018.**

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

DOUGLAS J. BARNES, Chair

Attest:

STEPHEN J. NORMAN, Secretary

T A B N U M B E R

6



To: Board of Commissioners

From: Craig Violante, Director of Finance

Date: June 12, 2018

Re: **New Bank Accounts**

Since the last Board meeting KCHA opened 8 new bank accounts.

Bank: Northwest Bank

- King County Housing Authority DBA Auburn Square Operating Trust
- King County Housing Authority DBA Auburn Square Security Deposit Trust
- King County Housing Authority DBA Carriage House Operating Trust
- King County Housing Authority DBA Carriage House Security Deposit Trust
- King County Housing Authority DBA Cascadian Operating Trust
- King County Housing Authority DBA Cascadian Security Deposit Trust
- King County Housing Authority DBA Fairwood Operating Trust
- King County Housing Authority DBA Fairwood Security Deposit Trust

Purpose: Accounts at Bank of America managed by Allied Property Management (Allied) were closed with full business checking accounts opened at Northwest Bank. Northwest Bank is the primary bank used by Allied. More properties managed by Allied will have their Operating and Security Deposit accounts moved to Northwest Bank in the coming months.

The Operating Trust Accounts will be used to pay operating expenses related to the properties. The accounts will primarily receive wires from the Depository Account at Bank of America and issue checks. Wire transfers will be made to the Operating Account to pay for the property's operating expenses.

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

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7



To: Board of Commissioners

From: Craig Violante, Director of Finance

Date: June 12, 2018

Re: 2018 Midyear Federal Revenue Update

Executive Summary

The Board adopted the Calendar Year 2018 Operating and Capital Budget ("2018 budget") via Resolution No. 5582 on December 18, 2017. Included in the budget were certain assumptions regarding 2018 Federal funding streams.

As the Federal funding picture has now become clearer, and as a precursor to the July Midyear Financial Reforecast presentation to the Board, a brief presentation will be made at the June meeting contrasting the adopted 2018 budget to newly-revised budget projections.

King County Housing Authority
2018 Funding Availability

Funding Source	2018 Adopted Budget	2018 Revised Projections	Change
MTW Block Grant	\$127,783,637	\$142,833,636	\$15,049,999
HCV Special Purpose Vouchers	13,524,780	15,595,431	2,070,651
Capital Fund Program	5,200,000	7,338,481	2,138,481
Public Housing Operating Fund Subsidy	8,664,842	9,732,467	1,067,625
Totals	<u>\$155,173,259</u>	<u>\$175,500,015</u>	<u>\$20,326,756</u>

Change in Key Budget Assumptions

Budgeted 2018 HCV Inflation Factor	8.0%
Actual 2018 HCV Inflation Factor	18.3%
Budgeted 2018 HCV Prorate	97.600%
Actual 2018 HCV Prorate	99.745%
Budgeted 2018 Public Housing Prorate	90.000%
Actual* 2018 Public Housing Prorate	93.270%

*Through June. Final Prorate will not be available until later in the year.

T A B N U M B E R

8

KCHA IN THE NEWS



In the pipeline: A look at the affordable housing crisis

Why it's such a mess and what's being done to fix it

[Jeremiah Jensen](#)

May 21, 2018

There is a dearth of [affordable housing](#). Everyone is talking about the problem, but no easy solution for it has emerged. The demand is undeniably there, freezing under a thick ice sheet of Class-A product.

Aside from razor thin vacancy rates and sky-high rents, there is a metric that **Fannie Mae** Director of Economics and Market Research Kim Betancourt says is even more telling: rent concessions. According to her, the multifamily market is so tight that concessions are practically non-existent at the national level, which is not normal for a balanced market.

“Depending on where you are there might be more concessions than elsewhere, but at the national level, it’s actually quite low. It’s below 1%...I think when we looked at the first quarter it was at 0.6%. That’s very, very low,” Betancourt told HousingWire.

“In a normalized market, it should be more like 2% to 3%,” she added.

According to her, a concession rate of 8% is roughly equal to one-month free rent.



“If we’re at less than 1%, I do like to make the joke, ‘there’s about 10 minutes of free rent out there,’” she quipped.

What this means is that there is a massive undersupply of multifamily housing in general, and it is most definitely contributing to the overall lack of affordable housing.

Couple that with the fact that investors are buying up every Class-B value-add property in sight, the fact that over the last 10 to 15 years Class-A has been about the only thing built, out-of-control [construction costs](#) and macroeconomic factors like the two largest population cohorts – Baby Boomers and Millennials – opting to rent in droves and what you’re left with is a massive pool of unmet demand and empty wallets.

It's a pickle. A real big pickle because developers and investors can't in their right minds willingly stomach losses by building Class-B housing projects that won't pencil, and the government can't or won't be able to fill in all the gaps.

According to Stephen Norman, executive director of [King County Housing Authority](#), what this leads to is lopsided economic growth. Eventually, it becomes untenable for working class individuals to travel en masse from one municipality to another every single day.

Norman said tax payers are paying more for King County to add lanes coming into Bellevue for all the working class wage earners to travel back and forth everyday than they would if they just paid to put affordable housing within Bellevue city limits.

Tim Walter, KCHA senior director of development and asset management summed it up this way: "You need equitable housing to support long-term economic growth."

So, what is the holdup?

According to industry professionals, the chief issue holding back affordability is the cost of construction. It makes the pent-up demand for affordable housing functionally untouchable.

That's not very helpful, and it's an uncomfortable reality. It's something developers and housing professionals have little to no control over, and it looks like the prices are not going to fall anytime soon.

A double-edged sword, more than just a tough situation for would be renters, it's also a missed opportunity developers and investors. If someone could come up with a silver bullet product or construction method that made building affordable housing possible, that someone would be able to access a massive, underserved demand pool.

So far, it does not appear that there are any silver bullets out there, or at the very least, if they do exist, they are not yet scalable according to David Leopold., **Freddie Mac's** vice president, targeted affordable sales & investments.

Currently, most of the solutions are public-private partnerships (which are under duress) and/or tactical financial solutions. Entities like Freddie Mac and Fannie Mae are trying to stop the bleeding by a) showing preference for affordable housing mortgages, and b) offering financial products that make filling a capital stack a little more attainable for affordable housing projects.

Some of these include Freddie's Flexible Tax-Exempt Loans, Fannie's Moderate Rehabilitation Supplemental Mortgage Loan for Affordable Properties, and obviously the [Low-Income Housing Tax Credits](#). These are helping, but they are sailing against the wind as construction costs make anything less than something that turns out Class-A rents difficult to build.

Leopold says the way to win this uphill battle is to keep making tactical improvements and strategic moves to reduce the cost of building affordable housing. Things like financial products are tactical improvements, things that apply toward the larger strategic goal promoting affordable housing.

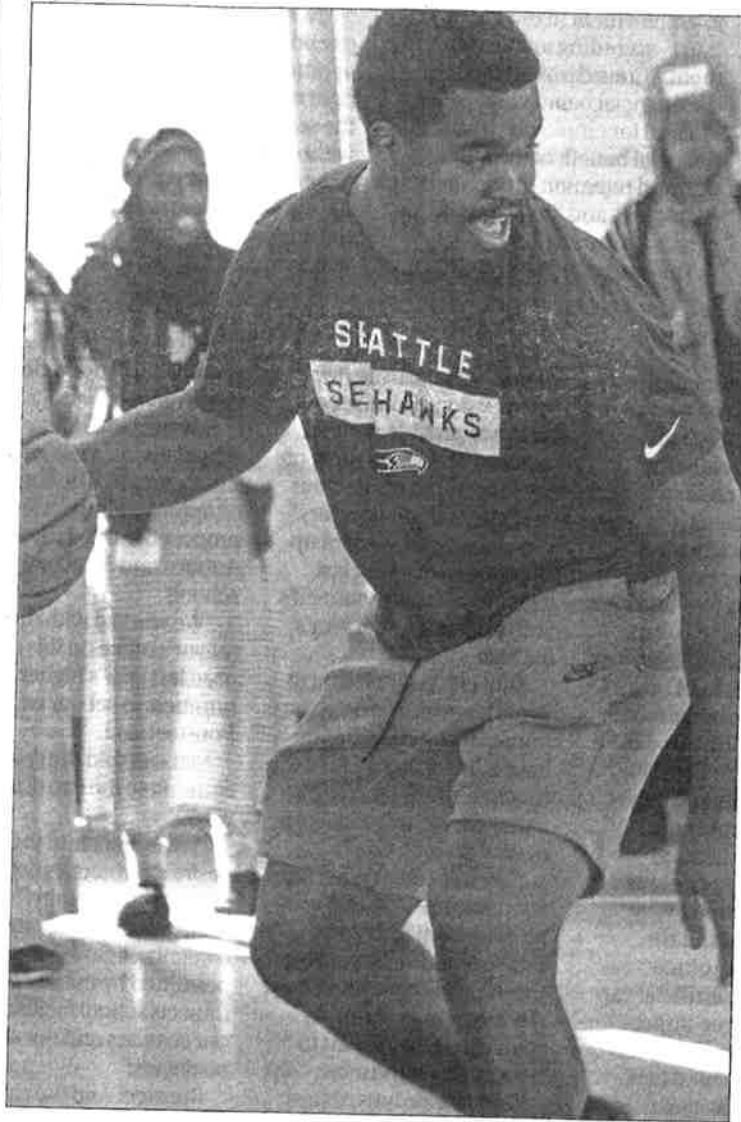
"Those things are important," Leopold said of financial products that make affordable housing cheaper. "We're wringing out costs...one of the strategic solutions needs to be to reduce the cost of building new affordable housing while preserving existing affordable housing...the strategy to reduce costs, financial products is one way to do that. Another is looking at the construction side. The bulk of

the costs are not financing costs...the cost to construct is much greater. [Reducing] that needs to be part of the solution."



Jeremiah Jensen is a reporter for HousingWire. In this role, he helps deliver timely news coverage of the U.S. housing market. Prior to joining HousingWire, Jeremiah was a freelance reporter in the commercial real estate space. He is a graduate of Southern Methodist University's Journalism School.

Swoopes hoops it up



Kent's Birch Creek, Valli Kee and Cascade communities hosted a career fair at the Birch Creek Youth Center on May 23. Seahawks tight end Tyrone Swoopes, a special guest, greeted children, briefly talked about his experience as a young NFL player and answered questions before playing basketball with boys and girls. Representatives from Renton Technical College, Green River College, Amerigroup, Blue Origin, and Communities in Schools of Kent were on hand to answer questions. There also were prizes, food and games.

"We are very proud and excited to provide the opportunity to partner with these amazing organizations in our region and to educate our youth about opportunities right here in South King County to further their education and future successes," said Carina Raddatz, director of Development and Community Relations for Kent Youth & Family Services.

— MARK KLAAS, *Kent Reporter*

