



# **MEETING OF THE BOARD OF COMMISSIONERS**

**Monday, November 18, 2019**

**King County Housing Authority  
700 Andover Park West  
Tukwila, WA 98188**



**MEETING OF THE  
BOARD OF COMMISSIONERS  
AGENDA  
\*AMENDED\***

November 18, 2019  
8:30 a.m.

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

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**I. Call to Order**

**II. Roll Call**

**III. Public Comment**

**IV. Approval of Minutes**

A. Board Meeting Minutes – October 14, 2019 **1**

**V. Approval of Agenda**

**VI. Consent Agenda**

A. Voucher Certification Report for September 2019 **2**

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

A. **Resolution No. 5635** – Resolution providing for the issuance **3**  
of revenue bonds of the Authority in the aggregate principal  
amount of not to exceed \$13,000,000, 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, to refinance the costs of

acquiring, rehabilitating, and constructing the Highland Village Apartments, and determining related matters.

- B. Resolution No. 5636** – A Resolution of the Housing Authority of the County of King authorizing the Executive Director to approve, execute and deliver all documents relating to the Abbell rental housing project (Abbey Ridge and Bellevue Manor apartments) including but not limited to Limited Liability Limited Partnership Documents, Lease Documents, Low Income Housing Tax Credit Documents, Seller Loan Documents, Authority Loan Documents and Deferred Development Fee Documents and determining related matters. **4**
- C. Resolution No. 5637** – Resolution providing for the issuance of revenue notes of the Authority in a combined principal amount not to exceed [\$40,000,000], the proceeds of which will be used to make a loan to Abbell LLLP, a Washington limited liability limited partnership of which the Authority is the sole general partner, to finance the acquisition, rehabilitation and equipping of the Bellevue Manor Apartments and Abbey Ridge Apartments, and determining related matters. **5**
- B. Resolution No. 5638** – A resolution of the Housing Authority of the County of King authorizing the Executive Director to approve, execute and deliver all documents relating to the Woodland North Apartments rental housing project including but not limited to Limited Liability Limited Partnership Documents, Lease Documents, Low Income Housing Tax Credit Documents, Seller Loan Documents, Authority Loan Documents and Deferred Development Fee Documents and determining related matters. **6**
- D. Resolution No. 5639** – Resolution providing for the issuance of revenue notes of the Authority in a combined principal amount not to exceed [\$12,000,000], the proceeds of which will be used to make a loan to Woodland North LLLP, a Washington limited liability limited partnership of which the Authority is the sole general partner, to finance the acquisition, rehabilitation and equipping of the Woodland North Apartments, and determining related matters. **7**
- E. Resolution No. 5640** – A Resolution Authorizing Acquisition of the Hampton Green Apartments. **8**

## **VIII. Briefings & Reports**

- A. CY 2020 Budget Briefing **9**
- B. Third Quarter CY 19 Write-Off Report **10**
- C. Third Quarter CY 19 Procurement Report **11**

## **IX. Executive Director Report**

## **X. KCHA in the News **12****

## **XI. Commissioner Comments**

## **XII. Adjournment**

*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 206-574-1206 prior to the meeting date.*

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

**Monday, October 14, 2019**

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**I. CALL TO ORDER**

The meeting of the King County Housing Authority Board of Commissioners was held on Monday, October 14, 2019 at 700 Andover Park West, Tukwila, WA 98188. There being a quorum, the meeting was called to order by Chair Doug Barnes at 8:29 a.m.

**II. ROLL CALL**

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

**Excused:** Commissioner John Welch

**III. Public Comment**

Resident Cindy Ference gave public comment via telephone regarding MTW.

**IV. APPROVAL OF MINUTES**

A. Board Meeting Minutes – September 16, 2019

On motion by Commissioner Susan Palmer with revisions to the Executive Directors report and seconded by Commissioner Michael Brown, the Board unanimously approved the September 16, 2019 Board of Commissioners' Meeting Minutes.

**V. APPROVAL OF AGENDA**

On motion by Commissioner TerryLynn Stewart and seconded by Commissioner Susan Palmer, the Board unanimously approved the October 14, 2019 Board of Commissioners' meeting agenda.

**VI. CONSENT AGENDA**

A. Voucher Certification Report for August 2019

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

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

**A. Resolution No. 5632** – Authorizing a change in the Administrative & Collective Bargaining Unit Pay Schedule of 2.2%, effective November 2019.

Craig Violante, Director of finance, presented the proposed change in salary schedules for all employees.

Historically, KCHA has awarded a cost of living adjustment (COLA) effective with the first full pay period of November. The Consumer Price Index for Clerical Workers (CPI-W) reported in June 2019 was 2.2%. This is the same metric that we have been using in years past and is lower than last year.

This is for all employees – some years that is not the case, as there might be collective bargaining going on.

The cost of living is one of the array of benefits that are offered to KCHA Employees.

Questions of Commissioners' were answered.

On motion by Commissioner TerryLynn Stewart and seconded by Commissioner Michael Brown, the Board unanimously approved Resolution No. 5632.

**B. Resolution No. 5633** – Approval of the King County Housing Authority's Moving to Work Annual Plan for Fiscal Year 2020.

Katie Escudero, Moving to Work and Health Policy Manager explained the final Annual Plan.

KCHA is required to submit a board approved annual plan that outlines the agency's goals, operations, programs, and proposed new MTW activities for HUD's review and approval. We are not proposing any new activities but we are making targeted changes or additions to ongoing initiatives and investments of the single fund, including efforts to serve additional households and improve outcomes of residents.

Questions of Commissioners' were answered.

On motion by Commissioner Michael Brown and seconded by Commissioner TerryLynn Stewart, the Board unanimously approved Resolution No. 5633.

**C. Resolution No. 5634**-Resolution providing for the Issuance of the Authority's Affordable Housing Preservation Tax-Exempt Housing Revenue Note, 2019, in the principal amount of not to exceed \$60,000,000, the proceeds of which will be used to

refinance a portion of the cost of acquiring some or all of the Emerson Apartments, the Kendall Ridge Apartments, the Riverstone Apartments, the Kirkland Heights Apartments, and/or the Juanita View Apartments, and determining related matters.

Tim Walter, Senior Director of Development and Asset Management explained Resolution No. 5634.

We are excited about resolution 5634, which is to authorize the issuance of a tax exempt bond of \$60,000,000 million which will provide a portion of the financing for the properties listed above.

We have always identified, when bringing acquisitions to the Board for approval, that the properties themselves cannot generate sufficient revenue to fund 100% of the cost of the debt. The housing authority has been seeking a partner(s) to provide mezzanine financing at a very low rate of interest for a period of time and that is what Microsoft has stepped up to provide.

They are providing \$60,000,000 in the form of a 1% interest only, 15 year tax exempt bond. That will provide the majority of the gap financing for these properties.

King County has awarded KCHA \$20,000,000 in gap financing that will be a 1% interest only, 50 year term.

These two things along with bonds that we will issue this week, will provide 100% of the financing to acquire these properties.

Questions of Commissioners' were answered.

On motion by Commissioner TerryLynn Stewart and seconded by Commissioner Susan Palmer the Board unanimously approved Resolution No. 5634.

## **VIII. BRIEFINGS AND REPORTS**

### **A. Weatherization Report**

Nikki Parrott, Director of Capital Construction and Weatherization presented an overview of the Low-Income Weatherization Assistance (LIWA) Program. KCHA has administered this program for the past 37 years. The Program is usually administered by Community Action Agencies but KCHA is one of two Housing Authorities in Washington that administers this Program.

This program is intended to serve low income households, preserve housing that people already live in and have positive environmental impacts.

Weatherization is a combination of energy conservation and indoor air quality initiatives that are accomplished by ventilation.

Questions of Commissioners' were answered.

#### B. Video of Burien Veterans

Video of Burien Veterans was shown for the Board of Commissioners.

### **IX. EXECUTIVE DIRECTOR REPORT**

The big news on the Washington, DC front is that the Senate version of the HUD appropriations bill has come out. The numbers are not quite as high as the house numbers in some categories, but they are acceptable numbers.

Equally important, there were text changes included in the bill that struck out some of the language that HUD attempted to insert which would have limited our MTW Flexibility and additional language was inserted that prohibited HUD from making unilateral changes to the Housing Authority annual contributions contract under the argument that these contracts were actually grants. The proposed appropriations bill now goes to the full Senate and then to conference with the House.

Chair Barnes, Helen Howell, Andrew Calkins and myself will be going to DC later this week. Meetings are scheduled with six members of our delegation - four Representatives and Washington State's two senators. The main messages include saying thank you for proposed appropriation levels and for the changes in bill language that we had requested; educating members about the growing level of housing need, both in individual districts and state wide; talking about the need for additional housing vouchers; and highlighting the importance of tax code changes in order to increase housing tax credit availability in support of additional affordable housing development in the region. It is timely to reconnect the KCHA Board with our delegation.

More locally – we have now purchased the last of the properties approved by the Board for acquisition this year. We closed on the Kendall Ridge property at the beginning of October and are moving quickly to issue bonds and finalize the agreement for private placement for a portion of the debt with Microsoft. Everything is moving forward and we will keep the Board apprised as we take the bonds to market.

The Administration's proposed Public Charge rule - which we are very concerned about – a rule that essentially jeopardizes the immigration status of many individuals who are living public housing or receiving a Section 8 voucher simply

because they are receiving housing assistance, has been stayed in the courts. That stay will be appealed and may well end up at the Supreme Court.

We are going out late winter/early spring to re-open the Section 8 waiting list.

Helen Howell will be leading this charge and making sure that under-represented populations are appropriately and proportionally reflected in the applications that we receive. Primary target groups are Latino, Native American and Pacific Islanders. We cannot, however, tell folks that the public charge issue has gone away – we need to be clear as to where this issue stands - but it's an excellent idea to make sure that our outreach efforts focus on underserved populations and reflect our region's demographics. More on this as it unfolds.

At the State Level, there may be some possible asks on funding for specific projects KCHA is involved with. We are also looking at a possible statutory exemption from the real estate excise tax for the purchase and preservation of multifamily housing by Housing Authorities and non-profit housing providers.

## **X. KCHA IN THE NEWS**

There was an article in the Editorial section of the Seattle Times.

## **XI. COMMISSIONER COMMENTS**

None.

## **XII. ADJOURNMENT**

Chair Barnes adjourned the meeting at 9:41 a.m.

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

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

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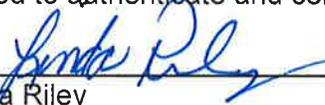
**STEPHEN J. NORMAN**  
Secretary

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**To:** Board of Commissioners  
**From:** Linda Riley, Controller  
**Date:** October 31, 2019  
**Re:** **VOUCHER CERTIFICATION FOR SEPTEMBER 2019**

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  
 October 31, 2019

Bank Wires / ACH Withdrawals		3,597,431.84
	<i>Subtotal</i>	<b>3,597,431.84</b>
Accounts Payable Vouchers		
Key Bank Checks - #324694-#325191		5,041,755.61
Tenant Accounting Checks - #10976-#10997		24,440.91
Commerce Bank Direct Payment		-
	<i>Subtotal</i>	<b>5,066,196.52</b>
Payroll Vouchers		
Checks - #91737-91785		61,990.08
Direct Deposit		1,518,959.84
	<i>Subtotal</i>	<b>1,580,949.92</b>
Section 8 Program Vouchers		
Checks - #626770-627097		242,473.24
ACH - #459116-461774		14,799,778.29
	<i>Subtotal</i>	<b>15,042,251.53</b>
Purchase Card / ACH Withdrawal		257,488.27
	<i>Subtotal</i>	<b>257,488.27</b>
	<b>GRAND TOTAL</b>	<b>\$ 25,544,318.08</b>

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

FROM: Wen Xu, Director of Asset Management

SUBJECT: VOUCHER CERTIFICATION FOR SEPTEMBER 2019

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*  
Wen Xu

*10/8/2019*  
Date

Property	Wired to Operating Account for Obligations of Property			Notes:
	Date	\$	Claim	
Tall Cedars	09/04/2019	\$ 3,277.71	A/P	
ALPINE RIDGE	09/05/2019	\$ 5,189.07	Payroll	
ARBOR HEIGHTS	09/05/2019	\$ 7,498.45	Payroll	
Aspen Ridge	09/05/2019	\$ 5,221.50	Payroll	
Auburn Square	09/05/2019	\$ 10,280.26	Payroll	
Ballinger Commons	09/05/2019	\$ 92,726.14	A/P & Payroll	
Bellepark	09/05/2019	\$ 5,364.69	A/P	
Carriage House	09/05/2019	\$ 12,343.88	Payroll	
CASCADIAN	09/05/2019	\$ 13,220.10	Payroll	
Colonial Gardens	09/05/2019	\$ 2,034.39	Payroll	
Emerson	09/05/2019	\$ 5,686.35	A/P & Payroll	
FAIRWOOD	09/05/2019	\$ 10,784.51	Payroll	
Gilman Square	09/05/2019	\$ 47,411.52	A/P & Payroll	
HERITAGE PARK	09/05/2019	\$ 6,910.57	Payroll	
LAURELWOOD	09/05/2019	\$ 9,781.60	Payroll	
Meadowbrook	09/05/2019	\$ 38,327.74	A/P & Payroll	
Meadows	09/05/2019	\$ 5,707.64	Payroll	
Newporter	09/05/2019	\$ 9,250.55	Payroll	
Overlake TOD	09/05/2019	\$ 235,732.00	BBF	
Parkwood	09/05/2019	\$ 7,627.28	Payroll	
Riverstone	09/05/2019	\$ 39,220.89	A/P	
SOUTHWOOD SQUARE	09/05/2019	\$ 6,838.21	Payroll	
Timberwood	09/05/2019	\$ 16,936.67	Payroll	
Vashon Terrace	09/05/2019	\$ 4,661.48	A/P	
Villages @ South	09/05/2019	\$ 47,910.63	A/P & Payroll	
Walnut Park	09/05/2019	\$ 6,776.57	Payroll	
WINDSOR HEIGHTS	09/05/2019	\$ 18,223.29	Payroll	
WINDSOR HEIGHTS	09/05/2019	\$ 16,920.52	A/P	
Woodland North	09/05/2019	\$ 4,707.90	Payroll	
Woodridge Park	09/05/2019	\$ 13,358.98	Payroll	
Woodside East	09/05/2019	\$ 59,401.13	A/P	
ABBEY RIDGE	09/10/2019	\$ 49,978.16	Payroll	
Cottonwood	09/10/2019	\$ 17,808.94	Payroll	
Cove East	09/10/2019	\$ 82,207.37	Payroll	
Juanita View	09/10/2019	\$ 21,678.53	Payroll	
Kirkland Heights	09/10/2019	\$ 93,919.50	Payroll	
Bellepark	09/11/2019	\$ 11,473.50	A/P & Payroll	
Landmark	09/11/2019	\$ 26,106.37	A/P & Payroll	
Riverstone	09/11/2019	\$ 19,174.59	A/P & Payroll	
Woodside East	09/11/2019	\$ 42,786.25	A/P & Payroll	
ALPINE RIDGE	09/12/2019	\$ 17,118.49	A/P	
ARBOR HEIGHTS	09/12/2019	\$ 10,554.61	A/P	
Aspen Ridge	09/12/2019	\$ 9,701.33	A/P	
Auburn Square	09/12/2019	\$ 14,767.97	A/P	
Carriage House	09/12/2019	\$ 15,894.92	A/P	
CASCADIAN	09/12/2019	\$ 62,490.32	A/P	
Colonial Gardens	09/12/2019	\$ 25,986.68	A/P	
FAIRWOOD	09/12/2019	\$ 56,499.42	A/P	
HERITAGE PARK	09/12/2019	\$ 15,493.20	A/P	
LAURELWOOD	09/12/2019	\$ 8,542.48	A/P	
Meadows	09/12/2019	\$ 9,521.61	A/P	
Newporter	09/12/2019	\$ 77,425.98	A/P	
Parkwood	09/12/2019	\$ 19,493.28	A/P	
RAINIER VIEW I	09/12/2019	\$ 10,739.03	A/P	
RAINIER VIEW II	09/12/2019	\$ 9,469.32	A/P	
SI VIEW	09/12/2019	\$ 2,797.59	A/P	
SOUTHWOOD SQUARE	09/12/2019	\$ 25,412.67	A/P	
Tall Cedars	09/12/2019	\$ 3,794.50	A/P	
Timberwood	09/12/2019	\$ 53,705.05	A/P	
Walnut Park	09/12/2019	\$ 101,811.81	A/P	
WINDSOR HEIGHTS	09/12/2019	\$ 44,411.21	A/P	
Woodland North	09/12/2019	\$ 9,365.56	A/P	
Woodridge Park	09/12/2019	\$ 17,397.56	A/P	
Landmark	09/18/2019	\$ 60,077.10	A/P	

Riverstone	09/18/2019	\$ 46,906.48	A/P	
Tall Cedars	09/18/2019	\$ 19,129.58	A/P	
Woodside East	09/18/2019	\$ 66,003.03	A/P	
ALPINE RIDGE	09/19/2019	\$ 3,214.78	Payroll	
ARBOR HEIGHTS	09/19/2019	\$ 6,804.46	Payroll	
Aspen Ridge	09/19/2019	\$ 5,127.30	Payroll	
Auburn Square	09/19/2019	\$ 28,998.12	Payroll	
Ballinger Commons	09/19/2019	\$ 227,946.49	A/P & Payroll	
Carriage House	09/19/2019	\$ 12,248.78	Payroll	
CASCADIAN	09/19/2019	\$ 13,172.71	Payroll	
Colonial Gardens	09/19/2019	\$ 9,832.78	Payroll	
Emerson	09/19/2019	\$ 45,179.98	A/P & Payroll	
FAIRWOOD	09/19/2019	\$ 8,775.87	Payroll	
Gilman Square	09/19/2019	\$ 20,217.43	A/P & Payroll	
HERITAGE PARK	09/19/2019	\$ 5,895.45	Payroll	
LAURELWOOD	09/19/2019	\$ 8,388.63	Payroll	
Meadowbrook	09/19/2019	\$ 71,110.23	A/P & Payroll	
Meadows	09/19/2019	\$ 6,871.82	Payroll	
Newporter	09/19/2019	\$ 9,461.91	Payroll	
Parkwood	09/19/2019	\$ 7,478.57	Payroll	
RAINIER VIEW I	09/19/2019	\$ 10,836.37	A/P	
RAINIER VIEW II	09/19/2019	\$ 6,949.19	A/P	
SI VIEW	09/19/2019	\$ 8,202.83	A/P	
SOUTHWOOD SQUARE	09/19/2019	\$ 6,608.45	Payroll	
Timberwood	09/19/2019	\$ 58,648.50	Payroll	
Villages @ South	09/19/2019	\$ 66,520.37	A/P & Payroll	
Walnut Park	09/19/2019	\$ 7,088.60	Payroll	
WINDSOR HEIGHTS	09/19/2019	\$ 18,761.72	Payroll	
Woodland North	09/19/2019	\$ 1,170.00	Deposit Correction	
Woodland North	09/19/2019	\$ 4,817.96	Payroll	
Woodridge Park	09/19/2019	\$ 15,080.75	Payroll	
ABBAY RIDGE	09/23/2019	\$ 24,795.47	A/P	
Cottonwood	09/23/2019	\$ 19,368.34	A/P	
Cove East	09/23/2019	\$ 20,154.39	A/P	
Juanita View	09/23/2019	\$ 77,086.56	A/P	
Kirkland Heights	09/23/2019	\$ 63,099.05	A/P	
Kirkland Heights	09/23/2019	\$ 13,987.51	A/P	
ALPINE RIDGE	09/25/2019	\$ 13,781.48	A/P	
ARBOR HEIGHTS	09/25/2019	\$ 18,488.62	A/P	
Aspen Ridge	09/25/2019	\$ 29,032.63	A/P	
Auburn Square	09/25/2019	\$ 16,542.56	A/P	
Bellepark	09/25/2019	\$ 34,213.02	A/P & Payroll	
Carriage House	09/25/2019	\$ 24,298.66	A/P	
CASCADIAN	09/25/2019	\$ 17,889.43	A/P	
Colonial Gardens	09/25/2019	\$ 47,175.96	A/P	
FAIRWOOD	09/25/2019	\$ 20,823.71	A/P	
HERITAGE PARK	09/25/2019	\$ 14,902.30	A/P	
Landmark	09/25/2019	\$ 17,517.13	A/P & Payroll	
LAURELWOOD	09/25/2019	\$ 19,427.02	A/P	
Meadows	09/25/2019	\$ 26,639.39	A/P	
Newporter	09/25/2019	\$ 42,901.95	A/P	
Parkwood	09/25/2019	\$ 14,016.55	A/P	
RAINIER VIEW I	09/25/2019	\$ 1,915.43	A/P	
RAINIER VIEW II	09/25/2019	\$ 937.91	A/P	
Riverstone	09/25/2019	\$ 69,441.38	A/P & Payroll	
SI VIEW	09/25/2019	\$ 6,684.98	A/P	
SOUTHWOOD SQUARE	09/25/2019	\$ 6,803.64	A/P	
Timberwood	09/25/2019	\$ 121,028.78	A/P	
Vashon Terrace	09/25/2019	\$ 10,686.47	A/P	
Walnut Park	09/25/2019	\$ 18,891.14	A/P	
WINDSOR HEIGHTS	09/25/2019	\$ 29,587.88	A/P	
Woodland North	09/25/2019	\$ 9,618.59	A/P	
Woodridge Park	09/25/2019	\$ 37,848.50	A/P	
Woodside East	09/25/2019	\$ 10,034.11	A/P & Payroll	
<b>Total:</b>		<b>\$ 3,552,806.60</b>		

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To: Board of Commissioners

From: Dan Landes, Director of Development

Date November 18, 2019

Re: Resolution 5635: Resolution providing for the issuance of revenue bonds of the Authority in the aggregate principal amount of not to exceed \$13,000,000, 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, to refinance the costs of acquiring, rehabilitating, and constructing the Highland Village Apartments, and determining related matters.

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At the December 7, 2017 Board of Commissioners' meeting, the Board adopted Resolution 5578 which authorized the issuance of a Revenue Note to secure a short term loan from Bank of America in an amount not to exceed \$25 million. These funds were loaned by KCHA to the Somerset Garden LLLP tax credit partnership in order to finance a portion of the acquisition and rehabilitation of the Highland Village Apartments. To evidence the debt, the resolution further authorized the execution and delivery by KCHA of a term loan agreement and a Revenue Note to Bank of America. At that time, the financing plan projected the issuance (sale) of approximately \$11 million in long-term bonds at the end of 2018 to refinance a portion of the short-term Bank of America loan.

Resolution 5635 authorizes the issuance of up to \$13 million in tax-exempt long-term bonds to refinance a portion of the Revenue Note with Bank of America. This will enable KCHA to refinance \$2 million more of the original debt than originally projected. Due to the current interest rate environment and reduction in long term borrowing costs, these additional proceeds can be generated while essentially maintaining the same debt service. These proceeds coupled with approximately \$1.5 million in additional borrowing proceeds related to the Somerset Gardens refinancing last year will eliminate KCHA's expected \$3.5 million out of pocket contribution to the project. The balance of the Revenue Note will be repaid with Low Income Housing Tax Credit equity payments received from the partnership's investor member in connection with the acquisition and rehab of the complex. These equity payments are scheduled to be received in April of 2020.

The bonds will be marketed by KeyBanc Capital Markets. Current indicative interest rates for the long-term financing are projected to be between 3.0% - 3.5%. The original permanent financing was underwritten at 4.5%. The bonds will be guaranteed by KCHA's General Revenue Pledge (i.e. KCHA's corporate guarantee) and rated by Standard & Poor's. The bonds are expected to receive an "AA" Issuer Credit Rating similar to KCHA's 2019 Pooled Housing Revenue Bonds sold earlier this month.

Staff recommends passage of Resolution 5635.

**HOUSING AUTHORITY OF THE COUNTY OF KING**

**RESOLUTION NO. 5635**

**(Refunding Revenue Bonds, (Highland Village Project))**

A RESOLUTION of the Board of Commissioners of the Housing Authority of the County of King providing for the issuance of revenue bonds of the Authority in the aggregate principal amount of not to exceed \$13,000,000, 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.

ADOPTED November 18, 2019

*This document was prepared by:*

*FOSTER GARVEY P.C.  
1111 Third Avenue, Suite 3000  
Seattle, Washington 98101  
(206) 447-4400*

**HOUSING AUTHORITY OF THE COUNTY OF KING**

**RESOLUTION NO. 5635**

**(Refunding Revenue Bonds, (Highland Village Project))**

A RESOLUTION of the Board of Commissioners of the Housing Authority of the County of King providing for the issuance of revenue bonds of the Authority in the aggregate principal amount of not to exceed \$13,000,000, 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.

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

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

**WHEREAS**, RCW 35.82.070(5) provides that a housing authority may, among other things, “lease any . . . lands . . . embraced in any housing project and . . . establish and revise the rents or charges therefor”; and “sell, lease, exchange, transfer . . . or dispose of any real or personal property or any interest therein . . .”; and

**WHEREAS**, RCW 35.82.070(18) provides that a housing authority may, among other things and if certain conditions are met, “make . . . loans for the . . . acquisition, construction . . . rehabilitation, improvement . . . or refinancing of land, buildings, or developments for housing for persons of low-income”; and

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

**WHEREAS**, pursuant to Resolution No. 5578 of the Authority, adopted by the Authority’s Board of Commissioners (the “Board”) on December 7, 2017, together with Resolution 5585, adopted by the Board on February 26, 2018, the Authority previously issued its Revenue Note, 2017 (Highland Village Project) (the “2017 Note”), in the principal amount of \$25,000,000, and used the proceeds thereof to make a loan to Somerset Gardens Apartments LLLP, a Washington limited liability limited partnership of which the Authority is the sole general partner (the “Borrower”) to finance the acquisition (for federal income tax purposes), construction, and rehabilitation of a multifamily rental housing project known as Highland Village, containing a total of 100 dwelling units, located at 600 146<sup>th</sup> Avenue NE, Bellevue, Washington, to provide housing for low-income persons within King County, Washington (the “Project”); and

**WHEREAS**, pursuant to Resolution No. 5628 of the Authority, adopted by the Authority’s Board of Commissioners (the “Board”) on August 29, 2019, the Authority previously issued its Authority’s Revenue Note Fund, 2019 (Highland Village Project) (the “2019 Note”), in the principal amount of \$2,500,000, and used the proceeds thereof to increase the amount of the loan to the Borrower to accomplish the Project; and

**WHEREAS**, the location of the Project is within the area of operation of the Authority, as it is within the County as was not within the territorial boundaries of any city, including the City of Bellevue (incorporated in 1953), on the date on which the Authority was activated under the Act (as hereinafter defined); and

**WHEREAS**, the Borrower has applied to the Authority for financial assistance in the principal amount of up to \$13,000,000 for the purpose of refunding, on a current basis, a portion of the 2017 Note and a portion of the 2019 Note, and paying costs of issuance associated therewith; and

**WHEREAS**, the Board of Commissioners of the Authority deems it necessary and advisable and in the best interest of the Authority to issue its Refunding Revenue Bonds, 2020 (Highland Village Project), in an aggregate principal amount not to exceed \$13,000,000, the proceeds of which will be lent to the Borrower for the purposes described herein; and

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

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

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

**Section 1.** **Definitions.** As used in this resolution, the following words have the following meanings, except as otherwise expressly provided or unless the context otherwise clearly requires:

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

“Acquisition Date” means the date upon which the Authority acquires the Borrower’s interest in the Project or acquires the limited partners’ interest in the Borrower.

“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.

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

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

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

“Bond” or “Bonds” means one or more of the Housing Authority of the County of King Refunding Revenue Bonds, 2020 (Highland Village Project), or any replacement thereof authorized by, and at any time outstanding pursuant to, this resolution and the Indenture.

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

“Bond Purchase Agreement” means the Purchase Contract among the Underwriter, the Borrower and the Authority relating to the sale of the Bonds.

“Borrower” means Somerset Gardens Apartments LLLP, a Washington limited liability limited partnership.

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

“Code” means the Internal Revenue Code of 1986, as in effect on the date on which the Bonds are issued or as it may be amended to apply to obligations issued on the date on which the Bonds are issued, or any successor federal income tax statute or code, together with applicable proposed, temporary and final regulations promulgated with respect thereto, and applicable official guidance published thereunder.

“County” means King County, Washington.

“General Revenues” means all revenues of the Authority from any source (other than Loan Payments), but only to the extent that those revenues are available to pay debt service

on the Bonds and are not now or hereafter pledged or restricted, by law, regulation, contract, covenant, resolution, deed of trust or otherwise (including restrictions relating to funds made available to the Authority under the U.S. Housing Act of 1937), solely to another particular purpose.

“Indenture” means the Trust Indenture between the Authority and the Trustee relating to the Bonds as originally executed or as it may from time to time be supplemented, modified or amended.

“Loan” means the loan to be made by the Authority to the Borrower of the proceeds of the Bonds, and other available funds of the Authority as authorized by Section 7.

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

“Loan Payments” means the payments of principal of and premium, if any, and interest on the Loan pursuant to the Loan Agreement allocable to payment of principal of and interest on the Bonds.

“Net Operating Income” shall have the meaning ascribed thereto in the Indenture.

“Project” means the multifamily rental housing project known as Highland Village containing a total of approximately 100 dwelling units, located at 600 146<sup>th</sup> Avenue NE, Bellevue, Washington.

“Refunded Obligations” means, together, the Revenue Note, 2017 (Highland Village Project) of the Authority and the Revenue Note Fund, 2019 (Highland Village Project).

“Regulatory Agreement” means the Regulatory Agreement by and between the Borrower and the Authority governing the use of the Project, including any supplements or amendments thereto.

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

“Tax Agreement” means the Federal Tax Exemption Certificate and Agreement between the Authority and the Borrower, pertaining to the Bonds, including any supplements or amendments thereto.

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

“Underwriter” means KeyBanc Capital Markets Inc.

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

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

**Section 3.** Description of Bonds. The Bonds shall be called the Refunding Revenue Bonds, 2020 (Highland Village Project) of the Authority, as set forth in the Indenture. The Bonds shall be issued in registered form, shall be in an aggregate principal amount not to exceed \$13,000,000; shall be in authorized denominations of \$5,000 or any integral multiple thereof; shall be dated such date, shall bear interest payable on such dates and at such rates, shall mature at such times and in such amounts, shall have such prepayment or redemption provisions, and

shall have such other provisions consistent with the terms of this resolution as shall be approved by any Authorized Officer and set forth in the Indenture. The execution of the Indenture by an Authorized Officer shall be conclusive evidence of approval by the Authority of the terms set forth therein.

**Section 4.** Security for the Bonds. The Bonds shall be special obligations of the Authority payable solely from the Trust Estate pledged under the Indenture. The Trust Estate pledged under the Indenture shall include (a) the rights, title and interest of the Authority in Loan Payments received pursuant to the Loan Agreement or, upon and after the Authority Acquisition Date, all Net Operating Income, (b) General Revenues of the Authority, subject to the parity lien of other obligations, as described herein and in the Indenture, and (c) certain funds and accounts established under the Indenture and investment earnings thereon and money, securities and obligations therein (subject to disbursements from any such fund or account), (d) money and securities from time to time held by the Trustee under the Indenture (except money and securities in the Rebate Fund), and (e) to the extent not covered, all proceeds of all of the foregoing, all as set forth in the Indenture.

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

The Authority reserves without limitation the right to issue other obligations, the principal of and interest on which are to be paid from the General Revenues on a parity of lien with the Bonds.

The Authority may also pledge any specific revenues, which otherwise would be General Revenues, to the payment of other obligations, such payments to have priority over the payments to be made under the Bonds.

None of the Commissioners, officers or employees of the Authority shall be personally liable for the payment of the Bonds.

**Section 5.** Form and Execution of Bonds. The Bonds shall be in a form consistent with the provisions of this resolution, the Indenture and state law, shall bear the manual or facsimile signatures of the Chair of the Board and Executive Director of the Authority and shall be impressed with the seal of the Authority or shall bear a facsimile thereof.

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

**Section 6.** Preservation of Tax Exemption for Interest on Bonds. The Authority covenants that it will take all actions necessary to prevent interest on the Bonds from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the Bonds or other funds of the Authority treated as proceeds of the Bonds at any time during the term of the Bonds which would cause interest on the Bonds to be included in gross income for federal income tax purposes. The Authority also covenants that, to the extent arbitrage rebate requirements of Section 148 of the Code are applicable to the Bonds, it will take all actions necessary to comply (or to be treated as having complied) with those requirements in connection with the Bonds, including the calculation and payment of any penalties that the Authority has elected to pay as an alternative to calculating rebatable arbitrage, and the payment of any other penalties if

required under Section 148 of the Code to prevent interest on the Bonds from being included in gross income for federal income tax purposes.

**Section 7.** Refunding of the Refunded Obligations; Additional Authority Loan. The proceeds of the sale of Bonds shall be lent to the Borrower and then transferred by the Trustee, along with other money of the Authority and/or the Borrower deposited with the Trustee for such purpose, if necessary, to the holder of the Refunded Obligations and used to discharge a portion of the obligations of the Authority relating to the outstanding Refunded Obligations. The proper officials of the Authority are authorized and directed to give or cause to be given such notices as are required (if any), at the times and in the manner required pursuant to the terms of the Refunded Obligations in order to effect the redemption of a portion of the Refunded Obligations. The Borrower may request a loan from the Authority in excess of the proceeds of the sale of the Bonds in order to effect the current refunding of the Refunded Obligations. If so requested, the Authority may lend up to \$100,000 of available Authority funds (in addition to Bond proceeds) to the Borrower under the Loan Agreement. Such additional loan financing is declared and determined to be important for the feasibility of the Project.

**Section 8.** Authority Findings with Respect to Refunding. The Board finds and determines that the issuance and sale of the Bonds at this time is in the best interest of the Authority. In making such finding and determination, the Board has given consideration to the proposed terms and maturities of the Bonds and the terms and maturities of the Refunded Obligations, and the costs of issuance of the Bonds.

**Section 9.** Authorization of Bond and Loan Documents and Execution Thereof. The Board hereby delegates to the Authorized Officers, and each of them acting alone, the authority to negotiate and approve the Indenture, the Loan Agreement, the Promissory Note, the Authority Continuing Disclosure Agreement, the Regulatory Agreement, the Tax Agreement, and such

other documents, instruments and agreements as may be necessary or desirable in connection with the issuance of the Bonds, the sale of the Bonds, and the making of the Loan to the Borrower. The Authority authorizes and approves the execution and delivery of, and the performance by the Authority of its obligations contained in, the Bonds, the Indenture, the Loan Agreement, the Authority Continuing Disclosure Agreement, the Regulatory Agreement, the Tax Agreement, and this resolution and the consummation by the Authority of all other transactions contemplated by this resolution in connection with the issuance of the Bonds and making of the Loan. The Authorized Officers, and each of them acting alone, are authorized and directed to do everything necessary for the issuance, execution, sale and delivery of the Bonds, including the “deeming final” of the preliminary official statement for the Bonds for the sole purpose of the Underwriter’s compliance with Securities and Exchange Commission Rule 15c2-12(b)(1); and to execute and deliver, on behalf of the Authority, the Indenture, the Loan Agreement, the Regulatory Agreement, the Tax Agreement, the Authority Continuing Disclosure Agreement, and any other documents that may be useful or necessary in connection with the issuance and sale of the Bonds or the making of the Loan, and to ensure the proper use and application of the proceeds from the sale of the Bonds. The Authorized Officers, and each of them acting alone, are further authorized to approve and execute an official statement for the Bonds on behalf of the Authority. The execution of any instrument by an Authorized Officer shall be conclusive evidence that such instrument has been duly approved by such Authorized Officer.

The delegation to the Authorized Officers set forth in this resolution shall include setting the final principal amount, maturity dates, principal and interest payment dates, redemption provisions, interest rates, and other terms for the Bonds; *provided* that (a) the aggregate principal

amount of the Bonds does not exceed \$13,000,000, and (b) the final maturity of the Bonds does not exceed forty years from their date of issue.

**Section 10.** Authorization of Borrower Documents and Execution Thereof. The Board authorizes and directs the Authorized Officers, and each of them acting alone, to negotiate, execute and deliver, on behalf of the Authority in its capacity as general partner of the Borrower, the Loan Agreement, the Promissory Note, the Regulatory Agreement, the Borrower Continuing Disclosure Agreement, the Tax Agreement, and such other documents, instruments and agreements as may be necessary or desirable in connection with the issuance of the Bonds, the sale of the Bonds and the Loan to the Borrower.

**Section 11.** Authorization of Purchase Contract. It is anticipated that KeyBanc Capital Markets Inc. will present the Bond Purchase Agreement to the Authority offering to purchase the Bonds under the terms and conditions provided herein and therein. The Board finds that entering into the Bond Purchase Agreement is in the best interest of the Authority and the Borrower, and therefore authorizes the Authorized Officers of the Authority, and each of them acting alone, to accept the offer contained in the Bond Purchase Agreement and to execute the Bond Purchase Agreement on behalf of the Authority and the Borrower.

The Bonds will be prepared at the Authority's expense and will be delivered to, or at the direction of, the purchaser thereof, with the approving legal opinion of Foster Garvey P.C. (or its successor), bond counsel of Seattle, Washington, regarding the Bonds.

The property Authority officials are authorized and directed to do everything necessary for the prompt delivery of the Bonds to the purchaser thereof and for the proper application and use of the proceeds of the sale thereof.

**Section 12.** Acting Officers Authorized. Any action authorized by this resolution to be taken by the Chair of the Board, may in his or her absence be taken by a duly authorized acting Chair of the Board. 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, may in his or her absence be taken by a duly authorized acting Deputy Executive Director of the Authority.

**Section 13.** Ratification and Confirmation. Any actions of the Authority or its officers or employees prior to the date hereof and consistent with the terms of this resolution are ratified and confirmed.

**Section 14.** Changes to Titles or Parties; Omission of Documents. While the titles of and parties to the various documents described herein may change, no change to such titles or parties shall affect the authority conferred by this resolution to execute, deliver, file (if required), enforce and perform the documents in their final form. The Authorized Officers, and each of them acting alone, in their discretion, may omit any agreement described herein which is determined not to be necessary or desirable in connection with the issuance or sale of the Bonds.

**Section 15.** 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 provisions of this resolution and shall in no way affect the validity of the other provisions of this resolution or the Bonds.

**Section 16.** Effective Date. This resolution shall be in full force and effect from and after its adoption and approval.

**ADOPTED BY THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE COUNTY OF KING AT AN OPEN PUBLIC MEETING THIS 18<sup>TH</sup> DAY OF NOVEMBER, 2019.**

**HOUSING AUTHORITY OF THE COUNTY OF KING**

By: \_\_\_\_\_  
**Douglas J. Barnes, Chair**  
Board of Commissioners

ATTEST:

\_\_\_\_\_  
**Stephen J. Norman**  
Executive Director and Secretary-Treasurer

## CERTIFICATE

I, the undersigned, the duly chosen, qualified and acting Executive Director and Secretary-Treasurer 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. 5635 (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 November 18, 2019, and duly recorded in the minute books of the Authority.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 18<sup>th</sup> day of November, 2019.

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**Stephen J. Norman**  
Executive Director and Secretary-Treasurer

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**To:** Board of Commissioners

**From:** Dan Landes

**Date** November 18, 2019

**Re:** **Resolution No. 5636** – A RESOLUTION of the Housing Authority of the County of King authorizing the Executive Director to approve, execute and deliver all documents relating to the Abbey Ridge and Bellevue Manor rental housing projects including but not limited to Limited Liability Limited Partnership Documents, Lease Documents, Low Income Housing Tax Credit Documents, Seller Loan Documents, Authority Loan Documents and Deferred Development Fee Documents and determining related matters.

**Resolution No. 5637**– A RESOLUTION providing for the issuance of revenue notes of the Authority in a combined principal amount not to exceed \$40,000,000, the proceeds of which will be used to make a loan to Abbell LLLP, a Washington limited liability limited partnership of which the Authority is the sole general partner, to finance the acquisition, rehabilitation and equipping of the Abbey Ridge and Bellevue Manor rental housing projects, and determining related matters.

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### **Executive Summary**

Abbey Ridge was built in 1969 and acquired by KCHA in 2016. It consists of 66 one bedroom, 73 two bedroom and 7 three bedroom (146 total units) and requires approximately \$29.2 million in renovations and upgrades to extend the useful life of the property for another 40 years. Bellevue Manor was built in 1978 and acquired by KCHA in 2013. It consists of 65 one bedroom and one two bedroom/manager's office (66 total units) and needs approximately \$4.2 million in renovations including additional life safety systems. KCHA is combining these properties into one tax credit syndication similar to the approach used to finance the combined Highland Village and Somerset Gardens redevelopments. This will involve the issuance of tax-exempt private activity bonds to generate 4% Low Income Housing Tax Credits to provide an additional funding source for the renovation of the properties.

Resolution No. 5636 authorizes the formation of a Limited Liability Limited Partnership, which will own, renovate, and operate both Abbey Ridge and Bellevue Manor through the 15 year tax credit compliance period and have KCHA as its general partner. The resolution also authorizes

the submission of financing applications for the project including the selection of a tax credit equity investor, admission of the investor into the partnership and the submission of a tax credit application to the Washington State Housing Finance Commission. In addition, the resolution authorizes KCHA to provide both seller financing through its lease with the Partnership and a long-term loan into the project as subordinate financing.

Resolution 5637 authorizes the short-term bridge financing structure intended to finance the planned capital improvements for the Abbey Ridge and Bellevue Manor renovation projects. This debt will be repaid from investor tax credit equity payments and proceeds from the permanent debt.

### **Tax-exempt Private Activity Bonds and 4% Low Income Tax Credits**

Funding for these renovations will be secured by the issuance of short-term and long-term tax-exempt private activity bonds which, as of right, generate 4% Low Income Housing Tax Credits when more than 50% of the project cost for a qualifying low income housing project is paid for using the proceeds of the bond issuance. For this combined project KCHA expects to ultimately issue approximately \$53 million in tax-exempt private activity bonds, which will leverage approximately \$33 million in tax credit equity. Resolution 5637 authorizes the initial issuance of \$24 million in short-term tax-exempt debt and a \$16 million taxable line of credit. The \$24 million tax-exempt short term debt will be repaid with tax credit equity. The \$16 million interim taxable line of credit will be used to bridge KCHA's contribution to the project until proceeds from the issuance of the permanent debt are available to be reinvested in the project.

The balance of the \$53 million tax-exempt private activity bond allocation, approximately \$29 million, will be permanent debt issued in 2020 and the debt service will be paid out of net operating income from the properties.

The tax-exempt and taxable lines of credit will be provided to KCHA by Bank of America and re-loaned to the Partnership. The interest rate on the tax-exempt line of credit will be 80% of the LIBOR rate plus 75 basis points (current indicative rate is 2.28%) and the taxable line of credit interest rate is 100% of LIBOR plus 100 basis points (current indicative rate is 2.92%). Resolution No. 5637 authorizes KCHA to issue these bonds and execute all related loan documents.

### **Sources and Uses**

The estimated sources and uses are as follows:

<b><u>USES</u></b>	
Acquisition	\$48,700,000
Rehab Costs	\$33,400,000
Professional Fees & Other Soft Costs	\$1,700,000
Financing Costs	\$4,300,000
Relocation	\$400,000
Developer Fee	\$13,000,000
Reserves	\$0
<b>TOTAL</b>	<b><u><u>\$101,500,000</u></u></b>

**SOURCES**

Tax Credit Equity	\$33,000,000
Permanent Debt	\$29,000,000
King County TOD Funds	\$3,650,000
KCHA Seller Financing	\$14,300,000
KCHA Subordinate Loan	\$17,550,000
KCHA Development Fee (Deferred)	\$4,000,000
TOTAL	<u>\$101,500,000</u>

**KCHA Financing**

KCHA will have the following roles in financing the project:

Line of Credit: KCHA will secure a \$40 million line of credit using both tax-exempt (approximately \$24 million) and taxable (approximately \$16 million) financing and re-loan the proceeds to the Partnership to provide interim financing for the acquisition, rehab and development activities. This loan to the partnership will be repaid with tax credit equity and the Authority Loans discussed below.

King County TOD Funds: KCHA has applied to King County for \$3,650,000 in TOD Funds for Abbey Ridge. The County will announce its awards at the end of 2019. If successful, KCHA will re-loan these funds to the partnership. If KCHA is unsuccessful in securing these funds, the KCHA subordinate loan will be increased by this amount.

Permanent Debt: KCHA will issue approximately \$29 million in tax-exempt permanent bonds and re-loan the proceeds to the Partnership to provide permanent financing for the acquisition, rehab and development activities. This loan to the partnership will be repaid out of the properties' net operating income.

Authority Loans: KCHA will provide approximately \$14 million in long-term seller financing. This amount reflects the portion of the sale price of the project to the Partnership less the actual debt KCHA owed on the property at the time the project was leased to the Partnership.

KCHA will also provide approximately \$18 million as a subordinate loan to the Partnership, which will finance a portion of the acquisition and rehab activities. The out of pocket cost to KCHA in making this loan will be partially offset by lease payments to KCHA which will be made by the partnership from a portion of the proceeds of the permanent tax-exempt bonds. In addition, net proceeds from the Woodland North development will also provide funds for KCHA's subordinate loan.

Deferred Developer Fee: KCHA will earn approximately \$13,000,000 in Developer Fee for the development of Abbey/Bellevue. \$9,000,000 of this will be paid in cash to KCHA in late 2022, and the balance, if required, will be paid to KCHA out of project cash flow over the first 10 years of operations.

Due to the extensive renovations needed at Abbey Ridge, KCHA expects that the total proceeds from the financing sources for this project alone will not be sufficient to fully cover all project costs. The financial model KCHA is working with combines the financial projections for this project with the financial projections for the Woodland North Project (Resolutions 5638 and 5639). KCHA expects to generate sufficient net proceeds from developer fees and other income on the two projects to fully cover the combined costs of the projects.

### **Preliminary Project Schedule**

The preliminary schedule for the project is as follows:

1. November 2019: Submit a private activity bond application and Low-Income Housing Tax Credit application to Washington State Dept. of Commerce.
2. November 2019: Board approval of financing resolution. Submit tax credit application to the Washington State Housing Finance Commission (WSHFC). Select tax credit equity investor and begin negotiation of deal terms. Issue private activity bonds and draw down funds.
3. January 2020: Close tax credit partnership and equity financing. Execute lease and loan agreements with Partnership. Begin rehabilitation at both properties.
4. December 2020: Completion of rehab activities at Bellevue Manor.
5. December 2021: Completion of rehab activities at Abbey Ridge.
6. April 2022: Second Investor equity disbursement, pay off tax-exempt line of credit.
7. October 2022: Final Investor equity disbursement, pay KCHA developer fee.

### **Rehab Scope, Schedule and Project Risks**

At the December Board of Commissioners' meeting, staff will more fully brief the Board of Commissioners on the scope of planned work, the estimated construction costs, rents, operating income and expenses, and risks associated with the project.

### **Board of Commissioner Actions:**

Staff recommends passage of Resolutions numbered 5636 and 5637.

**HOUSING AUTHORITY OF THE COUNTY OF KING**

**RESOLUTION NO. 5636**

**(Abbell)**

A RESOLUTION of the Housing Authority of the County of King authorizing the Executive Director to approve, execute and deliver all documents relating to the Abbell rental housing project including but not limited to Limited Liability Limited Partnership Documents, Lease Documents, Low Income Housing Tax Credit Documents, Seller Loan Documents, Authority Loan Documents and Deferred Development Fee Documents.

ADOPTED November 18, 2019

**HOUSING AUTHORITY OF THE COUNTY OF KING**

**RESOLUTION NO. 5636**

**(Abbell)**

A RESOLUTION of the Housing Authority of the County of King authorizing the Executive Director to approve, execute and deliver all documents relating to the Abbell rental housing project including but not limited to Limited Liability Limited Partnership Documents, Lease Documents, Low Income Housing Tax Credit Documents, Seller Loan Documents, Authority Loan Documents and Deferred Development Fee Documents.

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

**WHEREAS**, RCW 35.82.070(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**, 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(18) provides that a housing authority may, among other things and if certain conditions are met, “make . . . loans for the . . . acquisition, construction . . . rehabilitation, improvement . . . or refinancing of land, buildings, or developments for housing for persons of low income” (the “*Development Costs*”); and

**WHEREAS**, the Authority is the fee owner of certain real property located at (i) 3035 South 204<sup>th</sup> Street, SeaTac, Washington 98198 containing 146 units of housing (the “Abbey Ridge Project”), and (ii) 143 Bellevue Way SE, Bellevue, Washington 98004 containing 66 units of housing (the “Bellevue Manor Project” and together with the Abbey Ridge Project, the “*Project*”). The Authority desires to renovate the Project; and

**WHEREAS**, the Authority desires to utilize low income housing tax credits (“*Low Income Tax Credits*”) to finance a portion of the costs of the rehabilitation of the Project; and

**WHEREAS**, the Authority desires to utilize renewable energy tax credits (“*Energy Tax Credits*” with the *Low Income Credits* the “*Credits*”) to finance a portion of the costs of the rehabilitation of the Project; and

**WHEREAS**, the utilization of Low Income Tax Credits and the Energy Tax Credits to provide a portion of the financing for the rehabilitation of the Project will require the creation of a limited liability limited partnership to acquire and own (for federal tax purposes) the Project; and

**WHEREAS**, the Authority desires to apply to the Washington State Housing Finance Commission (the “*Commission*”) for a reservation of Low Income Tax Credits; and

**WHEREAS**, the Authority desires to form Abbell LLLP, a Washington limited liability limited partnership (the “*Partnership*”); and

**WHEREAS**, the Authority will serve as the general partner of the Partnership; and

**WHEREAS**, the Authority desires to enter into a long term Financing Lease or leases (collectively the “*Lease*”) of the Project with the Partnership for a term of up to 99 years, pursuant to which the Partnership will acquire for federal tax purposes ownership of the Project; and

**WHEREAS**, the total lease payment (the “*Lease Payments*”) under the terms of the Lease will be in a principal amount equal to the fair market value of the property improvements which is currently estimated to be approximately \$48,600,000 and, if applicable, a minimal lease payment for the lease of the underlying fee interest in the Property.

**WHEREAS**, the Authority anticipates receiving cash Lease Payment from the Partnership in the approximate amount of \$34,300,000. The balance of the Lease Payment, in the approximate amount of \$14,300,000 will be payable to the Authority from the Partnership in the form of a loan accruing interest at the long term applicable federal rate (the “*Long Term Seller Financing*”). Terms of the Lease including the timing and amounts of the Long Term Seller Financing payments shall be determined by the Executive Director or Deputy Director; and

**WHEREAS**, in addition to the Long Term Seller Financing, the Authority will provide interim financing including seller financing in the approximate amount of \$32,500,000 (the “*Interim Seller Financing*”); a tax exempt line of credit in the approximate amount of \$24,000,000 (the “*Tax Exempt*”

*Line of Credit*") a taxable line of credit in the approximate amount of \$16,000,000 (the "*Taxable Line of Credit*"); and pre-development advances in the approximate amount of \$700,000 (the "*Predevelopment Financing*") and

**WHEREAS**, the Authority anticipates a loan from King County in the approximate amount of \$3,650,000 (the "*King County Financing*"), the proceeds of which are intended to be re-loaned to the Partnership as a part of the Long Term Seller Financing.

**WHEREAS**, in addition to the Long Term Seller Financing, Interim Seller Financing, and Predevelopment Financing, the Authority will a subordinate loan in an approximate amount of \$17,550,000 (the "*Subordinate Loan*"); a yet to be determined deferred development fee (the "*Deferred Development Fee*"); and permanent financing using the proceeds of the Taxable and/or Tax Exempt Bonds the approximate amount of \$29,000,000 (the "*Permanent Bonds*") along with the Lease Payments, Long Term Seller Financing, Interim Seller Financing, Tax Exempt Line of Credit, Taxable Line of Credit Predevelopment Financing and King Count Financing, Interim Bonds, Deferred Development Fee and Subordinate Loan the "*Project Financing*"); and

**WHEREAS**, the Authority desires to seek an equity investment from a low income housing tax credit investor (the "*Tax Credit Investor*") pursuant to which the Tax Credit Investor will acquire a 99.99% limited partnership interest in the Partnership in exchange for a capital contribution in an amount to be determined by the Authority which will provide a significant source of financing for the Project; and

**WHEREAS**, the Authority wishes to undertake any and all steps as may be necessary to accomplish the foregoing.

**BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE COUNTY OF KING AS FOLLOWS:**

**Section 1.**     Formation of Limited Liability Limited Partnership. The Authority is authorized and directed to (i) participate in the formation of, and become the general partner of the Partnership, and (ii) execute such documents as may be required to do so, including but not limited to a certificate of limited

liability limited partnership and such other documents as may be deemed reasonable by the Executive Director with respect to formation of the Partnership.

**Section 2.**     Low Income Housing Tax Credits and Tax Credit Investor. The Authority is authorized and directed to (i) apply to the Commission for a reservation of low income housing tax credits and (ii) seek and select the Tax Credit Investor. The Executive Director is authorized and directed to take any other action and to execute such other documents as may be required to be taken or executed by the Authority, on behalf of itself or as general partner of the Partnership in connection with the tax credit application, the selection of the Tax Credit Investor and the admission of the Tax Credit Investor into the Partnership as a limited partner, such documents including but not limited to an Agreement of Limited Partnership or Amended and Restated Agreement of Limited Liability Limited Partnership, Development Agreement, Property Management Agreement, Investor Services Agreement, Purchase Option and Right of First Refusal and such other documents as may be deemed reasonable by the Executive Director with respect to the foregoing.

**Section 3.**     Lease and Project Financing. The Authority is authorized and directed to enter into the Lease and Project Financing substantially in accordance with the terms set forth above and the Authorized Representative of the Authority is authorized and directed to take any other action and to execute such other documents as may be required to be taken or executed by the Authority, on behalf of itself in its capacity as a public body corporate and politic, Lessor, Lender or as general partner of the Partnership, in connection with the Lease, the Project Financing and the execution of such documents as may be deemed reasonable by the Executive Director or Deputy Director with respect to the foregoing.

**Section 4.**     Governmental Filings; Other Agreements. The Executive Director is further authorized to take such further actions including but not limited to the execution, delivery and, if applicable, file (or cause to be executed, delivered and, if applicable, filed), on behalf of the Authority and/or the Partnership, any government forms, affidavits, certificates, letters, documents, agreements and instruments that such officer determines to be necessary or advisable to give effect to this resolution and to consummate the transactions contemplated herein.

**Section 5.** Expenditures. The Authority is authorized to expend such funds as are necessary to pay for all filing fees, application fees, registration fees, legal fees and other costs relating to the actions authorized by this resolution.

**Section 6.** Increase in the Project Financing Amounts. The aggregate amount of Project Financing may be increased by an amount not to exceed ten percent (10%) of the total Project Financing upon the determination by the Executive Director or Deputy Director that such increase is necessary for the development of the Project.

**Section 7.** Acting Officers Authorized. Any action required by this resolution to be taken by the Chair of the Board (“Chair”) or Executive Director of the Authority (“Executive Director”) may be taken in the absence of each person respectively by the duly authorized acting Chair of the Board (“Acting Chair”) or a Deputy Executive Director of the Authority (“Deputy Director” along with the Chair, Executive Director and Acting Chair an “Authorized Representative”).

**Section 8.** 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 9.** 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 18<sup>TH</sup> DAY OF  
NOVEMBER, 2019.**

HOUSING AUTHORITY OF THE COUNTY OF  
KING

By: \_\_\_\_\_  
**Douglas J. Barnes, Chair**  
Board of Commissioners

ATTEST:

\_\_\_\_\_  
**Stephen J. Norman**  
Executive Director and 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. 5636 (the “Resolution”) is a true and correct copy of the resolution of the Board of Commissioners (the “Board”) of the Authority, as adopted at a meeting of the Authority held on November 18, 2019, and duly recorded in the minute books of the Authority.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 18th day of November 2019.

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**Stephen J. Norman**  
Executive Director and Secretary-Treasurer

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**HOUSING AUTHORITY OF THE COUNTY OF KING**

**RESOLUTION NO. 5637**

A RESOLUTION of the Board of Commissioners of the Housing Authority of the County of King providing for the issuance of the Authority's Revenue Note, [2019/2020] (Bellevue Manor and Abbey Ridge Projects) (Tax-Exempt) and Revenue Note, [2019/2020] (Bellevue Manor and Abbey Ridge Projects) (Taxable), in the combined principal amount of not to exceed \$40,000,000, the proceeds of which will be used to make a loan to Abbell LLLP, a Washington limited liability limited partnership of which the Authority is the sole general partner (the "Partnership"), for the purpose of providing a portion of the funds with which to finance the acquisition, rehabilitation and equipping of two multifamily rental housing projects known as the Bellevue Manor Apartments and the Abbey Ridge Apartments, to provide housing for low-income persons in King County, Washington; authorizing the execution and delivery of a term loan agreement with Bank of America, N.A.; authorizing the execution and delivery of a loan agreement, a regulatory agreement, and other note and loan documents; approving the sale and providing for the delivery of the notes to Bank of America, N.A., or an affiliate of Bank of America Corporation; authorizing and directing appropriate officers of the Authority to execute such other documents as are useful or necessary to the purposes of this resolution; and determining related matters.

Adopted November 18, 2019

*This document was prepared by:*

*FOSTER GARVEY P.C.  
1111 Third Avenue, Suite 3000  
Seattle, Washington 98101  
(206) 447-4400*

## HOUSING AUTHORITY OF THE COUNTY OF KING

### RESOLUTION NO. 5637

A RESOLUTION of the Board of Commissioners of the Housing Authority of the County of King providing for the issuance of the Authority’s Revenue Note, [2019/2020] (Bellevue Manor and Abbey Ridge Projects) (Tax-Exempt) and Revenue Note, [2019/2020] (Bellevue Manor and Abbey Ridge Projects) (Taxable), in the combined principal amount of not to exceed \$40,000,000, the proceeds of which will be used to make a loan to Abbell LLLP, a Washington limited liability limited partnership of which the Authority is the sole general partner (the “Partnership”), for the purpose of providing a portion of the funds with which to finance the acquisition, rehabilitation and equipping of two multifamily rental housing projects known as the Bellevue Manor Apartments and the Abbey Ridge Apartments, to provide housing for low-income persons in King County, Washington; authorizing the execution and delivery of a term loan agreement with Bank of America, N.A.; authorizing the execution and delivery of a loan agreement, a regulatory agreement, and other note and loan documents; approving the sale and providing for the delivery of the notes to Bank of America, N.A., or an affiliate of Bank of America Corporation; authorizing and directing appropriate officers of the Authority to execute such other documents as are useful or necessary to the purposes of this resolution; and determining related matters.

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

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

**WHEREAS**, RCW 35.82.070(5) provides that a housing authority may, among other things, “lease any . . . lands . . . embraced in any housing project and . . . establish and revise the rents or charges therefor”; and “sell, lease, exchange, transfer . . . or dispose of any real or personal property or any interest therein . . .”; and

**WHEREAS**, RCW 35.82.070(18) provides that a housing authority may, among other things and if certain conditions are met, “make . . . loans for the . . . acquisition, construction . . . rehabilitation, improvement . . . or refinancing of land, buildings, or developments for housing for persons of low-income”; and

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

**WHEREAS**, Abbell LLLP, a Washington limited liability limited partnership of which the Authority is the sole general partner (the “Partnership”), has applied to the Authority for financial assistance in the principal amount of up to \$40,000,000 for the purpose of providing a portion of the funds with which to finance the acquisition, rehabilitation and equipping of the following two affordable rental housing developments: (1) an approximately 66-unit multifamily housing complex currently known as the Bellevue Manor Apartments, and located at 143 Bellevue Way SE, Bellevue, Washington (the “Bellevue Manor Project”); and (2) an approximately 146-unit multifamily housing complex currently known as the Abbey Ridge Apartments, and located at 3035 S 204<sup>th</sup> Street, SeaTac, Washington (the “Abbey Ridge Project” and, together with the Bellevue Manor Project, the “Projects” and each, a “Project”), all to provide housing for low-income persons in the County; and

**WHEREAS**, the Partnership has requested that the Authority issue and sell its revenue notes in a combined principal amount not to exceed \$40,000,000 for the purpose of assisting the Partnership in financing the acquisition, rehabilitation, and equipping of the Projects; and

**WHEREAS**, the Projects will be used by the Partnership to provide housing for low-income persons, and no more than an insubstantial portion of the proceeds of the Tax-Exempt Note

(defined below) will be used in connection with the financing or refinancing of any portion of the Projects to be used for any other purpose; and

**WHEREAS**, the Board of Commissioners of the Authority has determined that it is necessary and advisable that the Authority issue notes in an aggregate principal amount not to exceed \$40,000,000, the proceeds of which will be lent to the Partnership for the purposes described herein; and

**WHEREAS**, it is anticipated that Bank of America, N.A., or an affiliate of Bank of America Corporation will offer to extend a credit facility evidenced by two notes of the Authority and a term loan agreement on the terms set forth in this resolution, the proceeds of which will be used to make a loan to the Partnership for the purposes described herein; and

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

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

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

“Abbey Ridge Project” means, depending on the context, (1) acquisition, rehabilitation and equipping of a multifamily rental housing project to contain a total of approximately 146 dwelling units, currently known as the Abbey Ridge Apartments, located at 3035 2 204<sup>th</sup> Street, SeaTac, Washington, or (2) the Abbey Ridge Apartments rental housing project.

“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.

“Bank” means Bank of America, N.A. or an affiliate of Bank of America Corporation, as the initial registered owner of the Notes, and its successors and assigns.

“Bellevue Manor Project” means, depending on the context, (1) acquisition, rehabilitation and equipping of a multifamily rental housing project to contain a total of approximately 66 dwelling units, currently known as the Bellevue Manor Apartments, located at 143 Bellevue Way SE, Bellevue, Washington, or (2) the Bellevue Manor Apartments rental housing project.

“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.

“Draws” means incremental draws on the Notes.

“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 Notes 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.

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

“Loan” means the loan to the Partnership of proceeds of Draws on the Notes.

“Notes” means, together, the Tax-Exempt Note and the Taxable Note.

“Note Fund” means the Housing Authority of the County of King Revenue Note Fund, [2019/2020] (Bellevue Manor and Abbey Ridge Projects).

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

“Partnership” means Abbell LLLP, a Washington limited liability limited partnership.

“Project” or “Projects” means one or both of the Abbey Ridge Project and/or the Bellevue Manor Project.

“Proposal Letter” means the proposal letter to the Authority from the Bank dated November 6, 2019, as it may be amended, proposing to extend a credit facility on the terms set forth therein and herein.

“Registered Owner” means the Bank, as registered owner of the Notes registered as such on the registration books maintained by the Note Register.

“Regulatory Agreement” means the Regulatory Agreement to be executed by the Partnership for the benefit of the Authority governing the use of each Project, including any supplements or amendments thereto made in conformity therewith.

“Tax Certificate and Agreement” means the Tax Certificate and Agreement to be executed by the Partnership and the Authority in connection with the Tax-Exempt Note, including any supplements or amendments thereto made in conformity therewith.

“Taxable Note” means the Revenue Note, [2019/2020] (Bellevue Manor and Abbey Ridge Projects) (Taxable) of the Authority, issued pursuant to, under the authority of, and for the purposes provided in this resolution.

“Tax-Exempt Note” means the Revenue Note, [2019/2020] (Bellevue Manor and Abbey Ridge Projects) (Tax-Exempt) of the Authority, issued pursuant to, under the authority of, and for the purposes provided in this resolution.

“Term Loan Agreement” means a Term Loan Agreement between the Authority and the Bank setting forth certain covenants and conditions relating to the Notes, including any supplements or amendments thereto made in conformity therewith.

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

**Section 2. Authorization of Notes and Application of Proceeds.** The Authority shall issue and sell the Notes in an aggregate principal amount not to exceed \$40,000,000 for the purpose of making a loan to the Partnership to provide a portion of the funds required to accomplish the Projects. Such Note financing is declared and determined to be important for the feasibility of the Projects. All proceeds from Draws on the Notes shall be lent to the Partnership for those purposes. The Board finds that it is in the best interest of the Authority to issue the Notes for the purposes set forth in this resolution.

**Section 3. Description of the Notes.** The Notes shall be designated the Revenue Note, [2019/2020] (Bellevue Manor and Abbey Ridge Projects) (Taxable) (the “Taxable Note”) and Revenue Note, [2019/2020] (Bellevue Manor and Abbey Ridge Projects) (Tax-Exempt) (the “Tax-Exempt Note”), of the Authority; shall be in an aggregate principal amount not to exceed \$40,000,000; shall be dated their date of delivery to the Bank; and shall each be numbered R-1.

The Notes 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, variable rate(s) based on the London interbank offered rate, variable rate(s) based on the Bank's prime rate, and/or fixed rate(s)), shall mature at such times and in such amounts, shall have such prepayment or redemption provisions and shall have such other provisions consistent with the purposes of this resolution as set forth in the Notes and the Term Loan Agreement. The Authority finds that fixing of the interest rate indices described in the Proposal Letter is in the best interest of the Authority and the Partnership. The authentication of a Note by the Note Registrar and the execution of the Term Loan Agreement by an Authorized Officer shall be conclusive evidence of approval by the Authority of the terms of the Notes as set forth therein.

The interest rate on the Notes shall be subject to adjustment upon the occurrence of an Event of Default (as defined in the Term Loan Agreement) and, with respect to the Tax-Exempt Note, upon the occurrence of a Determination of Taxability (as defined in the Term Loan Agreement).

If a 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.

The Authorized Officers, and each of them acting alone, are authorized to determine and approve the final terms of the Notes and the Term Loan Agreement. The execution of such instruments by an Authorized Officer shall be conclusive evidence of approval of the terms set forth therein on behalf of the Authority.

**Section 4. Draws on the Notes.** The Board authorizes the Authorized Officers, and each of them acting alone, as authorized signers for the Authority, in its capacity as general partner of the

Partnership, or their respective designees, to make Draws on the Notes in such amounts and at such times as he or she may determine, those Draws to be made in accordance with the terms and provisions set forth herein, in the Notes and in the Term Loan Agreement and KCHA Loan Agreement. Draws shall be recorded in such form as the Partnership and the Bank may agree. Draws on the Taxable Note shall be limited to an aggregate principal amount of not to exceed \$16,000,000. Draws on the Tax-Exempt Note shall be limited to an aggregate principal amount of not to exceed \$24,000,000. Total Draws on the Notes shall be limited to an aggregate principal amount of not to exceed \$40,000,000. In the event that the Authority determines that that it is the best interest of the Authority or the Partnership to convert one or both of the Notes into fully funded obligations, subject to the provisions of the Term Loan Agreement and the KCHA Loan Agreement, the Authority is authorized to draw all or a portion of the authorized principal amount of the Notes that have not been drawn to date (the “Remaining Authorized Amount”) and to take any other action and to execute such other documents as may be required to be taken or executed by the Authority, on behalf of itself or as general partner of the Partnership, in connection therewith (including, without limitation, execution of agreements relating to the deposit and investment of such Remaining Authorized Amount prior to application to pay costs of the Projects).

**Section 5. Note Registrar; Registration and Transfer of the Notes.** The Notes shall be issued only in registered form as to both principal and interest and shall be recorded on books or records maintained for the Notes by the Note Registrar (the “Note Registers”). The Executive Director of the Authority shall serve as Note Registrar for the Notes. The Note Registers shall contain the name and mailing address of the Registered Owner of the Notes. The Note Registrar is authorized, on behalf of the Authority, to authenticate and deliver the Notes in accordance with

the provisions of the Notes and this resolution, to serve as the Authority's paying agent for the Notes and to carry out all of the Note Registrar's powers and duties under this resolution.

The Notes may be assigned or transferred only (i) together, in whole (a) to a "qualified institutional buyer" as defined in Rule 144A promulgated under the Securities Act of 1933, as amended, (b) to an affiliate of the Bank, or (c) as otherwise provided in the Term Loan Agreement, (ii) if endorsed in the manner provided thereon and surrendered to the Note Registrar, and (iii) upon the assignee or transferee delivering to the Authority an executed Certificate of Transferee in the forms attached to the Notes. The Note Registrar shall not be obligated to exchange or transfer the Notes during the five days preceding any interest payment date, prepayment date or the maturity date.

**Section 6.**     Payment of the Notes. Both principal of and interest on the Notes 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 (including, without limitation, by wire transfer), 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 a Note, the Registered Owner shall surrender the that Note at the principal office of the Note Registrar in Tukwila, Washington, for cancellation or destruction in accordance with law.

**Section 7.**     Note Fund; Security for the Notes. The Note Fund is hereby established as a special fund of the Authority designated the Revenue Note Fund, [2019/2020] (Bellevue Manor and Abbey Ridge Projects). The Note Fund shall be drawn upon for the sole purpose of paying the principal of, interest on, and any premium or breakage fees on, the Notes and the other obligations of the Authority under the Term Loan Agreement. The Authority pledges to deposit into the Note

Fund, (a) from General Revenues, and (b) from amounts received by the Authority from the Partnership in repayment of the Loan to the extent derived from equity contributions received by the Partnership from one or more of its limited partners in connection with low income housing tax credits awarded to the Projects, as and to the extent described in the Term Loan Agreement (the “Other Pledged Collateral”), amounts sufficient to pay the principal of and interest on the Notes when due and the other obligations of the Authority under the Term Loan Agreement.

The Authority hereby pledges its General Revenues and the Other Pledged Collateral to the payment of debt service on the Notes and its other obligations under the Notes and the Term Loan Agreement. 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 Notes and its other obligations under the Note and the Term Loan Agreement. 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 Notes and its other obligations under the Term Loan Agreement with respect to that portion of the General Revenues so pledged.

The Authorized Officers, and each of them acting alone, are hereby granted the discretionary authority to include in the Term Loan Agreement additional pledge(s) to secure the payment of the Authority’s obligations under the Notes and the Term Loan Agreement.

The Notes 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 Notes shall so state on their face. Neither the County, the State of Washington nor any political subdivision thereof (except the Authority from the sources specified herein) shall be liable for payment of the Notes nor in any event shall principal of and interest on the Notes be payable out of any funds

other than the Note Fund of the Authority established herein. The owner of the Notes 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 Notes. The Authority has no taxing power.

None of the Commissioners, officers or employees of the Authority shall be personally liable for the payment of the Notes.

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

A 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 Revenue Note, [2019/2020] (Bellevue Manor and Abbey Ridge Projects) [(Tax-Exempt)/(Taxable)], 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 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, delivered and issued 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. A Note also may be signed on behalf of the Authority by any person who, on the actual date of signing of that 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 Notes.

**Section 9.** Preservation of Tax Exemption for Interest on the Tax-Exempt Note. The Authority covenants that it will take all actions necessary to prevent interest on the Tax-Exempt 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 Tax-Exempt Note or other funds of the Authority treated as proceeds of the Tax-Exempt Note at any time during the term of the Tax-Exempt Note which would cause interest on the Tax-Exempt Note to be included in gross income for federal income tax purposes. The Authority also covenants that it will, to the extent the arbitrage rebate requirements of Section 148 of the Code are applicable to the Tax-Exempt Note, take all actions necessary to comply (or to be treated as having complied) with those requirements in connection with the Tax-Exempt 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 Tax-Exempt Note from being included in gross income for federal income tax purposes.

The Partnership may agree in the KCHA Loan Agreement to reimburse the Authority for all costs to the Authority of its compliance with the covenants contained in this section.

**Section 10.** Reimbursement. For purposes of applicable Treasury Regulations, the Partnership and the Authority are authorized to advance such funds as may be necessary for the Projects and the financing thereof, which expenditures may be reimbursed with proceeds of the Notes. It is intended that this resolution shall constitute a declaration of official intent to reimburse expenditures for the Projects made before the issue date of the Tax-Exempt Note from proceeds

of the Tax-Exempt Note, for the purposes of Treasury Regulations Sections 1.103-8(a)(5) and 1.150-2.

**Section 11.** Authorization of Note and Loan Documents and Execution Thereof. The Board authorizes the Authorized Officers, and each of them acting alone, to negotiate, approve, execute, and deliver the Regulatory Agreement, the KCHA Loan Agreement, the Term Loan Agreement, the Tax Certificate and Agreement, and such other documents, instruments and agreements as may be necessary or desirable in connection with the issuance of the Notes, the delivery of the Notes to the Bank and the making of the Loan to the Partnership. The Board authorizes and approves the performance by the Authority of its obligations contained in, the Notes, the KCHA Loan Agreement, the Term Loan Agreement, and other documents executed by the Authority in connection with or pertaining to the Notes, and the consummation by the Authority of all other transactions contemplated by this resolution in connection with the issuance of the Notes. The Board authorizes and directs the Authorized Officers, and each of them acting alone, to execute on behalf of the Authority and to deliver to the Bank, the Regulatory Agreement, the KCHA Loan Agreement, the Term Loan Agreement, the Tax Certificate and Agreement, and such financing statements and other documents, instruments and agreements as may be necessary or desirable in connection with the issuance of the Notes or required by the Bank as a condition to purchasing the Notes. The execution of any such instrument an Authorized Officer shall be conclusive evidence of approval of the terms set forth therein on behalf of the Authority.

The Notes will be prepared at the Authority's expense and will be delivered to the Bank together with the approving legal opinion of Foster Garvey P.C., municipal bond counsel of Seattle, Washington, or a successor thereto, regarding the Notes.

**Section 12.** Authorization of Partnership Documents and Execution Thereof. The Board authorizes and directs the Authorized Officers, and each of them acting alone, to negotiate, execute and deliver, on behalf of the Authority in its capacity as general partner of the Partnership, the Regulatory Agreement, the KCHA Loan Agreement, the Tax Certificate and Agreement, and such other documents, instruments and agreements as may be necessary or desirable in connection with the issuance of the Notes, the delivery of the Notes to the Bank and the Loan to the Partnership.

**Section 13.** Supplemental Authorization. The Authorized Officers, and each of them acting alone, are authorized on behalf of the Authority (acting on its own behalf or as general partner of the Partnership) to: (i) determine that any document authorized by this resolution is, at the time such document otherwise would be executed, no longer necessary or desirable and, based on such determination, cause the Authority and/or the Partnership not to execute or deliver such document; (ii) execute and deliver and, if applicable file (or cause to delivered and/or filed) any government forms, affidavits, certificates, letters, documents, agreements and instruments that such officer determines to be necessary or advisable to give effect to this resolution and to consummate the transactions contemplated herein and/or further the acquisition, rehabilitation, development, financing, construction, and leasing of the Projects; and (iii) cause the Authority and/or the Partnership to expend such funds as are necessary to pay for all filing fees, application fees, registration fees and other costs relating to the actions authorized by this resolution. The Board further authorizes the Authorized Officers, and each of them acting alone, to do everything necessary or appropriate for the issuance, execution and delivery of the Notes to the purchaser thereof and to execute and deliver any other documents that may be useful or necessary to ensure the proper use and application of the proceeds from the sale of the Notes.

**Section 14.** Execution of Duties and Obligations. The Board authorizes and approves the execution and delivery of, and the performance by the Authority (whether acting on its own behalf or in its capacity as general partner of the Partnership) of its obligations contained in, the Notes, the KCHA Loan Agreement, the Term Loan Agreement, the Regulatory Agreement, the Tax Certificate and Agreement, and other documents executed by the Authority in connection with the Notes, and the consummation by the Authority of all other transactions contemplated by this resolution in connection with the issuance of the Notes. The Board authorizes and direct the Authority's Executive Director to cause the Authority (whether acting on its own behalf or in its capacity as general partner of the Partnership, as applicable) to fulfill the Authority's duties and obligations, and cause the Partnership to fulfill the Partnership's duties and obligations, under the various agreements authorized by this resolution.

**Section 15.** Approval of Note Transaction. It is anticipated that the Bank will offer to purchase the Notes at a price of par, under the terms and conditions contained in this resolution and the Proposal Letter, including the payment of fees to the Bank, the fees and expenses of the Bank's legal counsel, and other out-of-pocket costs incurred by the Bank. The Board finds that such offer is in the best interest of the Authority and the Partnership, and therefore authorizes the Authorized Officers, and each of them acting alone, to accept an offer from the Bank as set forth in the Proposal Letter.

**Section 16.** Acting Officers Authorized. Any action required by this resolution to be taken by the Chair of the Board may in the absence of such person be taken by the duly authorized acting Chair of the Board. 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 17.** Changes to Titles or Parties. While the titles of and parties to the various documents described herein may change, no change to such titles or parties shall affect the authority conferred by this resolution to execute, deliver, file (if required), enforce and perform the documents in their final form.

**Section 18.** 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 19.** 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 18<sup>TH</sup> DAY OF NOVEMBER, 2019.**

**HOUSING AUTHORITY OF THE COUNTY OF KING**

By: \_\_\_\_\_  
**Douglas J. Barnes, Chair**  
Board of Commissioners

ATTEST:

\_\_\_\_\_  
**Stephen J. Norman**  
Executive Director and Secretary-Treasurer

CERTIFICATE

I, the undersigned, the duly chosen, qualified and acting Executive Director and Secretary-Treasurer 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. 5637 (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 November 18, 2019, and duly recorded in the minute books of the Authority.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 18<sup>th</sup> day of November, 2019.

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**Stephen J. Norman**  
Executive Director and Secretary-Treasurer

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**To:** Board of Commissioners

**From:** Dan Landes

**Date:** November 18, 2019

**Re:** **Resolution No. 5638** – A RESOLUTION of the Housing Authority of the County of King authorizing the Executive Director to approve, execute and deliver all documents relating to the Woodland North Apartments rental housing project including but not limited to Limited Liability Limited Partnership Documents, Lease Documents, Low Income Housing Tax Credit Documents, Seller Loan Documents, Authority Loan Documents and Deferred Development Fee Documents and determining related matters.

**Resolution No. 5639** – A RESOLUTION providing for the issuance of revenue notes of the Authority in a combined principal amount not to exceed \$12,000,000, the proceeds of which will be used to make a loan to Woodland North LLLP, a Washington limited liability limited partnership of which the Authority is the sole general partner, to finance the acquisition, rehabilitation and equipping of the Woodland North Apartments, and determining related matters.

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### **Executive Summary**

The Woodland North Apartments, which consists of 29 studios, 44 one bedroom and 32 two bedroom apartments (total of 105 units), were built in 1980 and require approximately \$9.5 million in renovations and upgrades to extend the useful life of the property. KCHA has used a similar approach to finance the renovation of multiple workforce housing properties. The approach involves the transfer of the ownership of the property to a Low Income Housing Tax Credit partnership of which KCHA is the general partner and the issuance of tax-exempt private activity bonds to generate 4% Low Income Housing Tax Credits that are purchased by private institutional investors. The equity generated through the sale of these tax credits, together with long term debt, provide the primary funding sources for the renovation of the property.

Resolution No. 5638 authorizes the formation of a Limited Liability Limited Partnership, which will own, renovate, and operate Woodland North through the 15 year tax credit compliance period and have KCHA as its general partner. The resolution also authorizes the submission of financing applications for the project including the solicitation of proposals from tax credit equity investors, the selection of a tax credit equity investor, admission of the investor into the partnership, and the submission of a tax credit application to the Washington State Housing

Finance Commission. In addition, the resolution authorizes KCHA to provide seller financing through its lease with the Partnership and a long-term loan into the project as subordinate financing.

Resolution 5639 authorizes the short-term bridge financing structure intended to finance the planned capital improvements for Woodland North renovation project which will primarily be repaid from investor tax credit equity payments and the issuance of long-term debt.

### **Tax-exempt Private Activity Bonds and 4% Low Income Tax Credits**

Funding for necessary renovations will be secured through the issuance of short-term and permanent tax-exempt private activity bonds which, as of right, generate 4% Low Income Housing Tax Credits when more than 50% of the project cost for a qualifying low income housing project is paid for using the proceeds of the bond issuance. At Woodland North, KCHA expects to ultimately issue approximately \$22 million in private activity bonds which will leverage approximately \$14 million in tax credit equity. Resolution 5639 authorizes the initial issuance of \$11 million in short-term tax exempt debt and a \$1 million taxable line of credit. The \$11 million in short term tax-exempt debt will be repaid with tax credit equity. The taxable line of credit will be used to bridge KCHA's contribution to the project until proceeds from the issuance of the permanent debt are available to be reinvested in the project.

The balance of the \$22 million tax exempt private activity bond allocation, approximately \$11 million, will be permanent debt issued in 2020 and the debt service will be paid out of the property's net operating income.

The tax-exempt and taxable lines of credit will be provided to KCHA by Bank of America and re-loaned to the Partnership. The interest rate on the tax-exempt line of credit will be 80% of the LIBOR rate plus 75 basis points (current indicative rate is 2.28%) and the taxable line of credit interest rate is 100% of LIBOR plus 100 basis points (current indicative rate is 2.92%). Resolution No. 5639 authorizes KCHA to issue these bonds and execute all related loan documents.

### **Sources and Uses**

The projected sources and uses are as follows:

<u>USES</u>	
Acquisition	\$24,500,000
Rehab Costs	\$9,500,000
Professional Fees & Other Soft Costs	\$750,000
Financing Costs	\$2,200,000
Relocation	\$150,000
Developer Fee	\$5,500,000
Reserves	\$0
<b>TOTAL</b>	<b>\$42,600,000</b>
<u>SOURCES</u>	
Tax Credit Equity	\$14,000,000

Permanent Debt	\$11,000,000
KCHA Seller Financing	\$12,000,000
KCHA Subordinate Loan	\$4,200,000
KCHA Development Fee (Deferred)	\$1,400,000
TOTAL	<u>\$42,600,000</u>

### **KCHA Financing**

KCHA will have the following roles in financing the project:

Line of Credit: KCHA will secure a \$12 million line of credit with Bank of America using tax-exempt and taxable bonds and then re-loan the proceeds to the Partnership to provide interim financing for the acquisition, rehab and development activities. This loan to the partnership will be repaid with tax credit equity and the Authority Loan discussed below.

Permanent Debt: KCHA will secure up to approximately \$11 million in permanent tax-exempt bond financing and re-loan the proceeds to the Partnership to provide permanent financing for the acquisition, rehab and development activities. This loan to the partnership will be repaid out of the property's net operating income.

Authority Loan: KCHA will provide approximately \$12 million in long-term seller financing and \$4.2 million as a subordinate loan to the Partnership, which will finance acquisition and rehab activities. The financing lease and the subordinate loan will be subordinate to the permanent debt and to the payment of the Deferred Developer Fee. The out-of-pocket cost to KCHA in making this loan will be offset by lease payments from the partnership. KCHA will be receiving cash lease payments from the partnership, and these funds will be used to fund KCHA's subordinate loan on this project as well as to help fund the subordinate loan on the Abbey Ridge/Bellevue Manor project.

Deferred Developer Fee: KCHA will earn approximately \$5,500,000 in Developer Fee for the development of Woodland North. \$4,100,000 of this will be paid in cash to KCHA in late 2022, and the balance, if required, will be paid to KCHA out of project cash flow over the first 10 years of operations. Cash that KCHA generates from the upfront developer fee payment that is not needed to finance the rehab of Woodland North will also be used to help fund the subordinate loan on the Abbey Ridge/Bellevue Manor project.

Based upon current estimates, KCHA expects to generate enough proceeds at Woodland North to fully cover all project costs and provide additional funding sufficient to fully cover projected shortfalls on the Abbey Ridge and Bellevue Manor renovations.

### **Preliminary Project Schedule**

The preliminary schedule for the project is as follows:

1. November 2019: Submit a private activity bond application and Low-Income Housing Tax Credit application to Washington State Dept. of Commerce.

2. November 2019: Board approval of financing resolution. Submit tax credit application to the Washington State Housing Finance Commission (WSHFC). Select tax credit equity investor and begin negotiation of deal terms. Issue private activity bonds and draw down funds.
3. January 2020: Close tax credit partnership and equity financing. Execute lease and loan agreements with Partnership.
4. April 2020: Complete temporary and permanent relocation and start rehabilitation.
5. December 2021: Completion of rehab activities.
6. April 2022: Second Investor equity disbursement, pay off tax-exempt line of credit.
7. October 2022: Final Investor equity disbursement, pay KCHA developer fee.

### **Rehab Scope, Schedule and Project Risks**

At the December Board of Commissioners' meeting, staff will more fully brief the Board of Commissioners on the scope of planned work, the estimated construction costs, rents, operating income and expenses, and risks associated with the project.

### **Board of Commissioner Actions:**

Staff recommends passage of Resolutions numbered 5638 and 5639.

**HOUSING AUTHORITY OF THE COUNTY OF KING**

**RESOLUTION NO. 5638**

**(Woodland North)**

A RESOLUTION of the Housing Authority of the County of King authorizing the Executive Director to approve, execute and deliver all documents relating to the Woodland North rental housing project including but not limited to Limited Liability Limited Partnership Documents, Lease Documents, Low Income Housing Tax Credit Documents, Seller Loan Documents, Authority Loan Documents and Deferred Development Fee Documents.

ADOPTED November 18, 2019

**HOUSING AUTHORITY OF THE COUNTY OF KING**

**RESOLUTION NO. 5638**

**(Woodland North)**

A RESOLUTION of the Housing Authority of the County of King authorizing the Executive Director to approve, execute and deliver all documents relating to the Woodland North rental housing project including but not limited to Limited Liability Limited Partnership Documents, Lease Documents, Low Income Housing Tax Credit Documents, Seller Loan Documents, Authority Loan Documents and Deferred Development Fee Documents.

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

**WHEREAS**, RCW 35.82.070(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**, 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(18) provides that a housing authority may, among other things and if certain conditions are met, “make . . . loans for the . . . acquisition, construction . . . rehabilitation, improvement . . . or refinancing of land, buildings, or developments for housing for persons of low income” (the “*Development Costs*”); and

**WHEREAS**, the Authority is the fee owner of certain real property located at 3611 NE 155th Street, Lake Forest Park, Washington, containing 105 dwelling units the “*Project*”). The Authority desires to renovate the Project; and

**WHEREAS**, the Authority desires to utilize low income housing tax credits (“*Low Income Tax Credits*”) to finance a portion of the costs of the rehabilitation of the Project; and

**WHEREAS**, the Authority desires to utilize renewable energy tax credits (“*Energy Tax Credits*” with the *Low Income Credits the “Credits*”) to finance a portion of the costs of the rehabilitation of the Project; and

**WHEREAS**, the utilization of Credits to provide a portion of the financing for the rehabilitation of the Project will require the creation of a limited liability limited partnership to acquire and own (for federal tax purposes) the Project; and

**WHEREAS**, the Authority desires to apply to the Washington State Housing Finance Commission (the “*Commission*”) for a reservation of Low Income Tax Credits; and

**WHEREAS**, the Authority desires to form ----- Woodland North LLLP, a Washington limited liability limited partnership (the “*Partnership*”); and

**WHEREAS**, the Authority will serve as the general partner of the Partnership; and

**WHEREAS**, the Authority desires to enter into a long term Financing Lease or leases (collectively the “*Lease*”) of the Project with the Partnership for a term of up to 99 years, pursuant to which the Partnership will acquire for federal tax purposes ownership of the Project; and

**WHEREAS**, the total lease payment (the “*Lease Payments*”) under the terms of the Lease will be in a principal amount equal to the fair market value of the property improvements which is currently estimated to be approximately \$24,400,000 and if applicable a minimal lease payment for the lease of the underlying fee interest in the Property.

**WHEREAS**, the Authority anticipates receiving a cash Lease Payment from the Partnership in the approximate amount of \$12,400,000. The balance of the Lease Payment, in the approximate amount of \$12,000,000, will be payable to the Authority from the Partnership in the

form of a loan accruing interest at the long term applicable federal rate (the “*Long Term Seller Financing*”). Terms of the Lease including the timing and amounts of the Long Term Seller Financing payments shall be determined by the Executive Director or Deputy Director; and

**WHEREAS**, in addition to the Long Term Seller Financing, the Authority will provide interim financing including seller financing in the approximate amount of \$11,200,000 (the “*Interim Seller Financing*”) from the proceeds of a tax exempt line of credit in the approximate amount of \$12,000,000 (the “*Tax Exempt Line of Credit*”); and pre-development advances in the approximate amount of \$250,000 (the “*Predevelopment Financing*”) and

**WHEREAS**, in addition to the Long Term Seller Financing, Interim Seller Financing, and Predevelopment Financing, the Authority will provide a subordinate loan in an approximate amount of \$4,200,000 (the “*Subordinate Loan*”); a yet to be determined deferred development fee (the “*Deferred Development Fee*”); and permanent financing using the proceeds of the Taxable and/or Tax Exempt Bonds the approximate amount of \$11,000,000 (the “*Permanent Bonds* along with the Lease Payments, Long Term Seller Financing, Interim Seller Financing Predevelopment Financing, Subordinate Loan and, Deferred Development Fee the “*Project Financing*”); and

**WHEREAS**, the Authority desires to seek an equity investment from a low income housing tax credit investor (the “*Tax Credit Investor*”) pursuant to which the Tax Credit Investor will acquire a 99.99% limited partnership interest in the Partnership in exchange for a capital contribution in an amount to be determined by the Authority which will provide a significant source of financing for the Project; and

**WHEREAS**, the Authority wishes to undertake any and all steps as may be necessary to accomplish the foregoing.

**BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE COUNTY OF KING AS FOLLOWS:**

**Section 1.** Formation of Limited Liability Limited Partnership. The Authority is authorized and directed to (i) participate in the formation of, and become the general partner of the Partnership, and (ii) execute such documents as may be required to do so, including but not limited to a certificate of limited liability limited partnership and such other documents as may be deemed reasonable by the Executive Director with respect to formation of the Partnership.

**Section 2.** Low Income Housing Tax Credits and Tax Credit Investor. The Authority is authorized and directed to (i) apply to the Commission for a reservation of low income housing tax credits and (ii) seek and select the Tax Credit Investor. The Executive Director is authorized and directed to take any other action and to execute such other documents as may be required to be taken or executed by the Authority, on behalf of itself or as general partner of the Partnership in connection with the tax credit application, the selection of the Tax Credit Investor and the admission of the Tax Credit Investor into the Partnership as a limited partner, such documents including but not limited to an Agreement of Limited Partnership or Amended and Restated Agreement of Limited Liability Limited Partnership, Development Agreement, Property Management Agreement, Investor Services Agreement, Purchase Option and Right of First Refusal and such other documents as may be deemed reasonable by the Executive Director with respect to the foregoing.

**Section 3.** Lease and Project Financing. The Authority is authorized and directed to enter into the Lease and Project Financing substantially in accordance with the terms set forth above and the Authorized Representative of the Authority is authorized and directed to take any

other action and to execute such other documents as may be required to be taken or executed by the Authority, on behalf of itself in its capacity as a public body corporate and politic, as Lessor, Lender or as general partner of the Partnership, in connection with the Lease, and the Project Financing and the execution of such documents as may be deemed reasonable by the Executive Director or Deputy Director with respect to the foregoing.

**Section 4.** Governmental Filings; Other Agreements. The Executive Director is further authorized to take such further actions including but not limited to the execution, delivery and, if applicable, file (or cause to be executed, delivered and, if applicable, filed), on behalf of the Authority and/or the Partnership, any government forms, affidavits, certificates, letters, documents, agreements and instruments that such officer determines to be necessary or advisable to give effect to this resolution and to consummate the transactions contemplated herein.

**Section 5.** Expenditures. The Authority is authorized to expend such funds as are necessary to pay for all filing fees, application fees, registration fees, legal fees and other costs relating to the actions authorized by this resolution.

**Section 6.** Increase in the Project Financing Amounts. The aggregate amount of Project Financing may be increased by an amount not to exceed ten percent (10%) of the total Project Financing upon the determination by the Executive Director or Deputy Director that such increase is necessary for the development of the Project.

**Section 7.** Acting Officers Authorized. Any action required by this resolution to be taken by the Chair of the Board (“Chair”) or Executive Director of the Authority (“Executive Director”) may be taken in the absence of each person respectively by the duly authorized acting Chair of the Board (“Acting Chair”) or a Deputy Executive Director of the Authority (“Deputy Director” along with the Chair, Executive Director and Acting Chair an “Authorized Representative”).

**Section 8.** 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 9.** 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 18<sup>TH</sup> DAY OF NOVEMBER, 2019.**

HOUSING AUTHORITY OF THE COUNTY OF KING

By: \_\_\_\_\_  
**Douglas J. Barnes, Chair**  
Board of Commissioners

ATTEST:

\_\_\_\_\_  
**Stephen J. Norman**  
Executive Director and 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. 5638 (the “Resolution”) is a true and correct copy of the resolution of the Board of Commissioners (the “Board”) of the Authority, as adopted at a meeting of the Authority held on November 18, 2019, and duly recorded in the minute books of the Authority.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 18th day of November 2019.

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**Stephen J. Norman**  
Executive Director and Secretary-Treasurer

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**HOUSING AUTHORITY OF THE COUNTY OF KING**

**RESOLUTION NO. 5639**

A RESOLUTION of the Board of Commissioners of the Housing Authority of the County of King providing for the issuance of the Authority's Revenue Note, [2019/2020] (Woodland North Project) (Tax-Exempt) and Revenue Note, [2019/2020] (Woodland North Project) (Taxable), in the combined principal amount of not to exceed \$12,000,000, the proceeds of which will be used to make a loan to Woodland North LLLP, a Washington limited liability limited partnership of which the Authority is the sole general partner (the "Partnership"), for the purpose of providing a portion of the funds with which to finance the acquisition, rehabilitation and equipping of a multifamily rental housing project known as the Woodland North Apartments, to provide housing for low-income persons in King County, Washington; authorizing the execution and delivery of a term loan agreement with Bank of America, N.A.; authorizing the execution and delivery of a loan agreement, a regulatory agreement, and other note and loan documents; approving the sale and providing for the delivery of the notes to Bank of America, N.A., or an affiliate of Bank of America Corporation; authorizing and directing appropriate officers of the Authority to execute such other documents as are useful or necessary to the purposes of this resolution; and determining related matters.

Adopted November 18, 2019

*This document was prepared by:*

*FOSTER GARVEY P.C.  
1111 Third Avenue, Suite 3000  
Seattle, Washington 98101  
(206) 447-4400*

## HOUSING AUTHORITY OF THE COUNTY OF KING

### RESOLUTION NO. 5639

A RESOLUTION of the Board of Commissioners of the Housing Authority of the County of King providing for the issuance of the Authority’s Revenue Note, [2019/2020] (Woodland North Project) (Tax-Exempt) and Revenue Note, [2019/2020] (Woodland North Project) (Taxable), in the combined principal amount of not to exceed \$12,000,000, the proceeds of which will be used to make a loan to Woodland North LLLP, a Washington limited liability limited partnership of which the Authority is the sole general partner (the “Partnership”), for the purpose of providing a portion of the funds with which to finance the acquisition, rehabilitation and equipping of a multifamily rental housing project known as the Woodland North Apartments, to provide housing for low-income persons in King County, Washington; authorizing the execution and delivery of a term loan agreement with Bank of America, N.A.; authorizing the execution and delivery of a loan agreement, a regulatory agreement, and other note and loan documents; approving the sale and providing for the delivery of the notes to Bank of America, N.A., or an affiliate of Bank of America Corporation; authorizing and directing appropriate officers of the Authority to execute such other documents as are useful or necessary to the purposes of this resolution; and determining related matters.

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

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

**WHEREAS**, RCW 35.82.070(5) provides that a housing authority may, among other things, “lease any . . . lands . . . embraced in any housing project and . . . establish and revise the rents or charges therefor”; and “sell, lease, exchange, transfer . . . or dispose of any real or personal property or any interest therein . . .”; and

**WHEREAS**, RCW 35.82.070(18) provides that a housing authority may, among other things and if certain conditions are met, “make . . . loans for the . . . acquisition, construction . . . rehabilitation, improvement . . . or refinancing of land, buildings, or developments for housing for persons of low-income”; and

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

**WHEREAS**, Woodland North LLLP, a Washington limited liability limited partnership of which the Authority is the sole general partner (the “Partnership”), has applied to the Authority for financial assistance in the principal amount of up to \$12,000,000 for the purpose of providing a portion of the funds with which to finance the acquisition, rehabilitation and equipping of an approximately 105-unit multifamily housing complex currently known as the Woodland North Apartments, and located at 3611 NE 155<sup>th</sup> Street, Lake Forest Park, Washington, to provide housing for low-income persons in the County (the “Project”); and

**WHEREAS**, the Partnership has requested that the Authority issue and sell its revenue notes in a combined principal amount not to exceed \$12,000,000 for the purpose of assisting the Partnership in financing the acquisition, rehabilitation, and equipping of the Project; and

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

**WHEREAS**, the Board of Commissioners of the Authority has determined that it is necessary and advisable that the Authority issue notes in an aggregate principal amount not to

exceed \$12,000,000, the proceeds of which will be lent to the Partnership for the purposes described herein; and

**WHEREAS**, it is anticipated that Bank of America, N.A., or an affiliate of Bank of America Corporation will offer to extend a credit facility evidenced by two notes of the Authority and a term loan agreement on the terms set forth in this resolution, the proceeds of which will be used to make a loan to the Partnership for the purposes described herein; and

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

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

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

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

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

“Bank” means Bank of America, N.A. or an affiliate of Bank of America Corporation, as the initial registered owner of the Notes, and its successors and assigns.

“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.

“Draws” means incremental draws on the Notes.

“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 Notes 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.

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

“Loan” means the loan to the Partnership of proceeds of Draws on the Notes.

“Notes” means, together, the Tax-Exempt Note and the Taxable Note.

“Note Fund” means the Housing Authority of the County of King Revenue Note Fund, [2019/2020] (Woodland North Project).

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

“Partnership” means Woodland North LLLP, a Washington limited liability limited partnership.

“Project” means, depending on the context, (1) acquisition, rehabilitation and equipping of a multifamily rental housing project to contain a total of approximately 105 dwelling units, currently known as the Woodland North Apartments, located at 3611 NE 155<sup>th</sup> Street, Lake Forest Park, Washington, or (2) the Woodland North rental housing project.

“Proposal Letter” means the proposal letter to the Authority from the Bank dated November 6, 2019, as it may be amended, proposing to extend a credit facility on the terms set forth therein and herein.

“Registered Owner” means the Bank, as registered owner of the Notes registered as such on the registration books maintained by the Note Register.

“Regulatory Agreement” means the Regulatory Agreement to be executed by the Partnership for the benefit of the Authority governing the use of the Project, including any supplements or amendments thereto made in conformity therewith.

“Tax Certificate and Agreement” means the Tax Certificate and Agreement to be executed by the Partnership and the Authority in connection with the Tax-Exempt Note, including any supplements or amendments thereto made in conformity therewith.

“Taxable Note” means the Revenue Note, [2019/2020] (Woodland North Project) (Taxable) of the Authority, issued pursuant to, under the authority of, and for the purposes provided in this resolution.

“Tax-Exempt Note” means the Revenue Note, [2019/2020] (Woodland North Project) (Tax-Exempt) of the Authority, issued pursuant to, under the authority of, and for the purposes provided in this resolution.

“Term Loan Agreement” means a Term Loan Agreement between the Authority and the Bank setting forth certain covenants and conditions relating to the Notes, including any supplements or amendments thereto made in conformity therewith.

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

**Section 2. Authorization of Notes and Application of Proceeds.** The Authority shall issue and sell the Notes in an aggregate principal amount not to exceed \$12,000,000 for the purpose of making a loan to the Partnership to provide a portion of the funds required to accomplish the Project. Such Note financing is declared and determined to be important for the feasibility of the Project. All proceeds from Draws on the Notes shall be lent to the Partnership for those purposes. The Board finds that it is in the best interest of the Authority to issue the Notes for the purposes set forth in this resolution.

**Section 3. Description of the Notes.** The Notes shall be designated the Revenue Note, [2019/2020] (Woodland North Project) (Taxable) (the “Taxable Note”) and Revenue Note, [2019/2020] (Woodland North Project) (Tax-Exempt) (the “Tax-Exempt Note”), of the Authority; shall be in an aggregate principal amount not to exceed \$12,000,000; shall be dated their date of delivery to the Bank; and shall each be numbered R-1. The Notes 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, variable rate(s) based on the London interbank offered rate, variable rate(s) based on the Bank’s prime rate, and/or fixed rate(s)), shall mature at such times and in such amounts, shall have such prepayment or redemption provisions and shall have such other provisions consistent with the purposes of this resolution as set forth in the Notes and the Term Loan Agreement. The Authority finds that fixing of the interest rate indices described in the Proposal Letter is in the best interest of the Authority and the Partnership. The authentication of a Note by the Note Registrar and the execution of the Term Loan Agreement by an Authorized Officer shall be conclusive evidence of approval by the Authority of the terms of the Notes as set forth therein.

The interest rate on the Notes shall be subject to adjustment upon the occurrence of an Event of Default (as defined in the Term Loan Agreement) and, with respect to the Tax-Exempt Note, upon the occurrence of a Determination of Taxability (as defined in the Term Loan Agreement).

If a 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.

The Authorized Officers, and each of them acting alone, are authorized to determine and approve the final terms of the Notes and the Term Loan Agreement. The execution of such instruments by an Authorized Officer shall be conclusive evidence of approval of the terms set forth therein on behalf of the Authority.

**Section 4. Draws on the Notes.** The Board authorizes the Authorized Officers, and each of them acting alone, as authorized signers for the Authority, in its capacity as general partner of the Partnership, or their respective designees, to make Draws on the Notes in such amounts and at such times as he or she may determine, those Draws to be made in accordance with the terms and provisions set forth herein, in the Notes and in the Term Loan Agreement and KCHA Loan Agreement. Draws shall be recorded in such form as the Partnership and the Bank may agree. Draws on the Taxable Note shall be limited to an aggregate principal amount of not to exceed \$1,000,000. Draws on the Tax-Exempt Note shall be limited to an aggregate principal amount of not to exceed \$11,000,000. Total Draws on the Notes shall be limited to an aggregate principal amount of not to exceed \$12,000,000. In the event that the Authority determines that that it is the best interest of the Authority or the Partnership to convert one or both of the Notes into fully funded obligations, subject to the provisions of the Term Loan Agreement and the KCHA Loan

Agreement, the Authority is authorized to draw all or a portion of the authorized principal amount of the Notes that have not been drawn to date (the “Remaining Authorized Amount”) and to take any other action and to execute such other documents as may be required to be taken or executed by the Authority, on behalf of itself or as general partner of the Partnership, in connection therewith (including, without limitation, execution of agreements relating to the deposit and investment of such Remaining Authorized Amount prior to application to pay costs of the Project).

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

The Notes may be assigned or transferred only (i) together, in whole (a) to a “qualified institutional buyer” as defined in Rule 144A promulgated under the Securities Act of 1933, as amended, (b) to an affiliate of the Bank, or (c) as otherwise provided in the Term Loan Agreement, (ii) if endorsed in the manner provided thereon and surrendered to the Note Registrar, and (iii) upon the assignee or transferee delivering to the Authority an executed Certificate of Transferee in the forms attached to the Notes. The Note Registrar shall not be obligated to exchange or transfer the Notes during the five days preceding any interest payment date, prepayment date or the maturity date.

**Section 6.**     Payment of the Notes. Both principal of and interest on the Notes 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 (including, without limitation, by wire transfer), 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 a Note, the Registered Owner shall surrender the that Note at the principal office of the Note Registrar in Tukwila, Washington, for cancellation or destruction in accordance with law.

**Section 7.**     Note Fund; Security for the Notes. The Note Fund is hereby established as a special fund of the Authority designated the Revenue Note Fund, [2019/2020] (Woodland North Project). The Note Fund shall be drawn upon for the sole purpose of paying the principal of, interest on, and any premium or breakage fees on, the Notes and the other obligations of the Authority under the Term Loan Agreement. The Authority pledges to deposit into the Note Fund, (a) from General Revenues, and (b) from amounts received by the Authority from the Partnership in repayment of the Loan to the extent derived from equity contributions received by the Partnership from one or more of its limited partners in connection with low income housing tax credits awarded to the Project, as and to the extent described in the Term Loan Agreement (the “Other Pledged Collateral”), amounts sufficient to pay the principal of and interest on the Notes when due and the other obligations of the Authority under the Term Loan Agreement.

The Authority hereby pledges its General Revenues and the Other Pledged Collateral to the payment of debt service on the Notes and its other obligations under the Notes and the Term Loan Agreement. 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 Notes and its other obligations under the Note and the Term Loan Agreement. 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 Notes and its other obligations under the Term Loan Agreement with respect to that portion of the General Revenues so pledged.

The Authorized Officers, and each of them acting alone, are hereby granted the discretionary authority to include in the Term Loan Agreement additional pledge(s) to secure the payment of the Authority's obligations under the Notes and the Term Loan Agreement.

The Notes 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 Notes shall so state on their face. Neither the County, the State of Washington nor any political subdivision thereof (except the Authority from the sources specified herein) shall be liable for payment of the Notes nor in any event shall principal of and interest on the Notes be payable out of any funds other than the Note Fund of the Authority established herein. The owner of the Notes 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 Notes. The Authority has no taxing power.

None of the Commissioners, officers or employees of the Authority shall be personally liable for the payment of the Notes.

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

A 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 Revenue Note, [2019/2020] (Woodland North Project) [(Tax-Exempt)/(Taxable)], 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 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, delivered and issued 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. A Note also may be signed on behalf of the Authority by any person who, on the actual date of signing of that 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 Notes.

**Section 9.**     Preservation of Tax Exemption for Interest on the Tax-Exempt Note. The Authority covenants that it will take all actions necessary to prevent interest on the Tax-Exempt 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 Tax-Exempt Note or other funds of the Authority treated as proceeds of the Tax-Exempt Note at any time during the term of the Tax-Exempt Note which would cause interest on the Tax-Exempt Note to be included in gross income for federal income tax purposes. The Authority also covenants that it will, to the extent the

arbitrage rebate requirements of Section 148 of the Code are applicable to the Tax-Exempt Note, take all actions necessary to comply (or to be treated as having complied) with those requirements in connection with the Tax-Exempt 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 Tax-Exempt Note from being included in gross income for federal income tax purposes.

The Partnership may agree in the KCHA Loan Agreement to reimburse the Authority for all costs to the Authority of its compliance with the covenants contained in this section.

**Section 10. Reimbursement.** For purposes of applicable Treasury Regulations, the Partnership and the Authority are authorized to advance such funds as may be necessary for the Project and the financing thereof, which expenditures may be reimbursed with proceeds of the Notes. It is intended that this resolution shall constitute a declaration of official intent to reimburse expenditures for the Project made before the issue date of the Tax-Exempt Note from proceeds of the Tax-Exempt Note, for the purposes of Treasury Regulations Sections 1.103-8(a)(5) and 1.150-2.

**Section 11. Authorization of Note and Loan Documents and Execution Thereof.** The Board authorizes the Authorized Officers, and each of them acting alone, to negotiate, approve, execute, and deliver the Regulatory Agreement, the KCHA Loan Agreement, the Term Loan Agreement, the Tax Certificate and Agreement, and such other documents, instruments and agreements as may be necessary or desirable in connection with the issuance of the Notes, the delivery of the Notes to the Bank and the making of the Loan to the Partnership. The Board authorizes and approves the performance by the Authority of its obligations contained in, the Notes, the KCHA Loan Agreement, the Term Loan Agreement, and other documents executed by the Authority in

connection with or pertaining to the Notes, and the consummation by the Authority of all other transactions contemplated by this resolution in connection with the issuance of the Notes. The Board authorizes and directs the Authorized Officers, and each of them acting alone, to execute on behalf of the Authority and to deliver to the Bank, the Regulatory Agreement, the KCHA Loan Agreement, the Term Loan Agreement, the Tax Certificate and Agreement, and such financing statements and other documents, instruments and agreements as may be necessary or desirable in connection with the issuance of the Notes or required by the Bank as a condition to purchasing the Notes. The execution of any such instrument an Authorized Officer shall be conclusive evidence of approval of the terms set forth therein on behalf of the Authority.

The Notes will be prepared at the Authority's expense and will be delivered to the Bank together with the approving legal opinion of Foster Garvey P.C., municipal bond counsel of Seattle, Washington, or a successor thereto, regarding the Notes.

**Section 12.** Authorization of Partnership Documents and Execution Thereof. The Board authorizes and directs the Authorized Officers, and each of them acting alone, to negotiate, execute and deliver, on behalf of the Authority in its capacity as general partner of the Partnership, the Regulatory Agreement, the KCHA Loan Agreement, the Tax Certificate and Agreement, and such other documents, instruments and agreements as may be necessary or desirable in connection with the issuance of the Notes, the delivery of the Notes to the Bank and the Loan to the Partnership.

**Section 13.** Supplemental Authorization. The Authorized Officers, and each of them acting alone, are authorized on behalf of the Authority (acting on its own behalf or as general partner of the Partnership) to: (i) determine that any document authorized by this resolution is, at the time such document otherwise would be executed, no longer necessary or desirable and, based on such determination, cause the Authority and/or the Partnership not to execute or deliver such document;

(ii) execute and deliver and, if applicable file (or cause to delivered and/or filed) any government forms, affidavits, certificates, letters, documents, agreements and instruments that such officer determines to be necessary or advisable to give effect to this resolution and to consummate the transactions contemplated herein and/or further the acquisition, rehabilitation, development, financing, construction, and leasing of the Project; and (iii) cause the Authority and/or the Partnership to expend such funds as are necessary to pay for all filing fees, application fees, registration fees and other costs relating to the actions authorized by this resolution. The Board further authorizes the Authorized Officers, and each of them acting alone, to do everything necessary or appropriate for the issuance, execution and delivery of the Notes to the purchaser thereof and to execute and deliver any other documents that may be useful or necessary to ensure the proper use and application of the proceeds from the sale of the Notes.

**Section 14. Execution of Duties and Obligations.** The Board authorizes and approves the execution and delivery of, and the performance by the Authority (whether acting on its own behalf or in its capacity as general partner of the Partnership) of its obligations contained in, the Notes, the KCHA Loan Agreement, the Term Loan Agreement, the Regulatory Agreement, the Tax Certificate and Agreement, and other documents executed by the Authority in connection with the Notes, and the consummation by the Authority of all other transactions contemplated by this resolution in connection with the issuance of the Notes. The Board authorizes and direct the Authority's Executive Director to cause the Authority (whether acting on its own behalf or in its capacity as general partner of the Partnership, as applicable) to fulfill the Authority's duties and obligations, and cause the Partnership to fulfill the Partnership's duties and obligations, under the various agreements authorized by this resolution.

**Section 15.** Approval of Note Transaction. It is anticipated that the Bank will offer to purchase the Notes at a price of par, under the terms and conditions contained in this resolution and the Proposal Letter, including the payment of fees to the Bank, the fees and expenses of the Bank's legal counsel, and other out-of-pocket costs incurred by the Bank. The Board finds that such offer is in the best interest of the Authority and the Partnership, and therefore authorizes the Authorized Officers, and each of them acting alone, to accept an offer from the Bank as set forth in the Proposal Letter.

**Section 16.** Acting Officers Authorized. Any action required by this resolution to be taken by the Chair of the Board may in the absence of such person be taken by the duly authorized acting Chair of the Board. 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 17.** Changes to Titles or Parties. While the titles of and parties to the various documents described herein may change, no change to such titles or parties shall affect the authority conferred by this resolution to execute, deliver, file (if required), enforce and perform the documents in their final form.

**Section 18.** 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 19.** 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 18<sup>TH</sup>  
DAY OF NOVEMBER, 2019.**

**HOUSING AUTHORITY OF THE COUNTY  
OF KING**

By: \_\_\_\_\_  
**Douglas J. Barnes, Chair**  
Board of Commissioners

ATTEST:

\_\_\_\_\_  
**Stephen J. Norman**  
Executive Director and Secretary-Treasurer

CERTIFICATE

I, the undersigned, the duly chosen, qualified and acting Executive Director and Secretary-Treasurer 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. 5639 (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 November 18, 2019, and duly recorded in the minute books of the Authority.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 18<sup>th</sup> day of November, 2019.

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**Stephen J. Norman**  
Executive Director and Secretary-Treasurer

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**To:** Board of Commissioners

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

**Date:** November 13, 2019

**Re:** **Resolution No. 5640:** A Resolution authorizing the acquisition of the Hampton Greens Apartments.

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Resolution No. 5640 authorizes the Housing Authority to negotiate and enter into a purchase agreement for Hampton Greens, an apartment complex located in Bellevue at 4747 148<sup>th</sup> Ave. NE.

Hampton Greens was built in 1984 and consists of 326 one and two bedroom apartments. The property is located in north Bellevue near the border of Redmond and is within an area of King County identified by KCHA as a high opportunity area, with excellent access to schools, jobs and other amenities in addition to transit.

Staff will provide an overview of the project and specifics of the transaction at the November Board of Commissioner's meeting.

A full Project Profile describing the property, proposed financing plan and including an analysis of the risks and risk mitigations associated with the transaction will be provided at the December board meeting.

Staff recommends approval of Resolution 5640.

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

**RESOLUTION NO. 5640**

**A RESOLUTION AUTHORIZING ACQUISITION OF  
HAMPTON GREEN APARTMENTS**

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

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

**WHEREAS**, Hampton Greens Apartments (the “Property”) is a 326-unit apartment complex located at 4747 148th Ave NE, Bellevue, Washington, in an area of King County where rents are increasingly unaffordable to low-income households; and

**WHEREAS**, rents at the Property are expected to continue to escalate, making the Property and Bellevue increasingly less affordable to low income households; and

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

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

**WHEREAS**, the Housing Authority has identified acquiring and developing housing along planned mass transit corridors and areas with frequent high capacity transit

as a strategic priority to ensure the long-term availability of low-income housing near reliable public transportation; and

**WHEREAS**, the Property is located within a transit corridor and close to light rail where rents are increasingly unaffordable to low-income households; and

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

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

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

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

**Section 2:** The Board of Commissioners hereby authorizes the Executive Director (i) 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; and (ii) to

acquire the Property by condemnation through exercise of the Housing Authority's power of eminent domain, if it is unsuccessful in acquiring the Property on satisfactory terms through negotiation with and purchase from the owner in lieu of condemnation.

**Section 3:** The Executive Director, Stephen J. Norman, is hereby vested with the authority, and with discretion in the exercise of such authority, to attempt to acquire the Property through negotiation and purchase in lieu of condemnation at a price anticipated to be approximately One Hundred Twenty Six Million, Five Hundred Thousand Dollars (\$126,500,000), (\$388,036.81 per unit), but which shall not exceed 105% of the appraised value of the Property pursuant to an appraisal completed by a Washington State licensed MAI appraiser.

**Section 4:** If the Executive Director is successful in negotiation of the purchase of the Property from the owner in lieu of condemnation for the price authorized above, then the Executive Director is hereby authorized (a) to sign a Purchase and Sale Agreement providing for the acquisition of the Property containing such terms and conditions as are customary in such transactions and as are deemed by the Executive Director to be in the best interests of the Housing Authority, and (b) to pay into the purchase escrow the earnest money deposit for the purchase of the Property provided for under the Purchase and Sale Agreement under terms that would permit the earnest money to be forfeited to the seller as liquidated damages if the sale fails to close through no fault of the seller.

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

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

**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 Housing Authority's acquisition of the Property pursuant to this Resolution.

**ADOPTED BY THE BOARD OF COMMISSIONERS OF THE HOUSING  
AUTHORITY OF THE COUNTY OF KING AT AN OPEN PUBLIC MEETING  
THIS 18<sup>TH</sup> DAY OF NOVEMBER, 2019.**

**HOUSING AUTHORITY OF THE COUNTY  
OF KING**

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

Attest:

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**STEPHEN J. NORMAN**  
Executive Director and Secretary-Treasurer

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**To:** Board of Commissioners

**From:** Jill Stanton, Deputy Executive Director

**Date:** November 12, 2019

**Re:** **CY 2020 Budget Context**

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### **Executive Summary**

At the November Board meeting staff will be discussing the broad outlines of the CY 2020 KCHA budget. Staff and leadership are scheduled to complete budget meetings and make final recommendations by the end of November. The final budget will be presented for Board consideration at the December meeting.

Many of our key initiatives build upon work started in previous years and remain focused on expanding the number of households we serve, primarily through increasing the size of our Housing Choice Voucher program, improving shopping success rates for voucher holders, and through the acquisition or development of additional multifamily housing. This budget also reflects a continued commitment to our “social impact” initiatives, notably our homeless, education and geographic mobility programs, as well as upgrades and reinvestment in our existing portfolio. Internal initiatives reflect an investment in our staff by providing them with tools to efficiently and effectively perform their jobs including technological solutions and on-going staff training. The 2020 budget furthers our commitment to a positive staff culture with our continued initiative to restructure compensation, job classification and performance management systems and an initiative to engage the agency in the effort to advance racial equity, diversity, and inclusion.

A large portion of our budget is dependent upon HUD funding levels. On October 30th the full Senate approved the THUD appropriations bill as part of a \$209 billion “mini-bus” that bundled appropriations bills from four separate sub-committees. The Senate’s HUD numbers are slightly below those already approved by the House in most categories. The Senate bill provides \$2.3 billion more than the enacted fiscal year 2019 funding level and the House bill provides \$1.5 billion more than the Senate bill. Both bills are expected to provide close to a 100% pro-rate for HCV renewals.

Currently the government is operating under a continuing resolution that expires on November 21<sup>st</sup>, 2019. Given the partisan dysfunction in Washington, we are speculating that another continuing resolution is likely. This budget proposal reflects a rough mid-point between House and Senate numbers and assumes pro-ration levels similar, or in the case of public housing, slightly below, last year's numbers. It is increasingly likely that the final budget numbers will not be known prior to the approval of KCHA's budget in December. If the assumptions presented in December overstate the actual funding finally approved, the Authority will take steps to reduce costs in programs funded from KCHA's MTW block grant.

On the non-Federal side, our bond and tax credit properties continue to perform well with low vacancy rates and strong cost controls. We anticipate \$9.6 million in cash flow from this inventory in 2020. This is in addition to a total of \$21.8 million in tax credit investor equity contributions related to the Highland Village/Somerset Gardens LIHTC projects which are expected to be received in 2020. These funds will be used to cover construction and other project related development costs.

In general, our financial picture remains strong, as evidenced by KCHA's AA rating provided by Standards and Poor's on our bonds issued in November 2019, significant working capital and reserves, and the quality and condition of our housing portfolio.

### **Background – HUD Funding Overview**

Our single largest fund is the MTW Block grant. The bulk of this funding is utilized to provide Housing Assistance Payments (HAP) to landlords under the Housing Choice Voucher (HCV) program which is budgeted to cost \$127.5 million in 2020. To the extent that program funding from HUD is in excess of HAP payments and HCV administrative costs, this cash flow (MTW Block Grant Working Capital) is used to support a broad array of other mission-related activities. The Resident Services and Homeless Housing Initiatives departments are mostly funded from this source, as are a significant portion of the capital expenditures for our public housing inventory.

Annually, block grant funding may be increased by HUD using an inflation factor based on a combination of local and national market trends. In years when this inflation factor simply does not reflect our market, KCHA has sponsored a local rent survey and successfully challenged HUD's inflation factor for our market. In 2018, KCHA received an 18.2% inflation factor. In 2019, HUD provided an inflation factor of 2.173%. This increased our baseline funding going into the 2020 budget year by approximately \$3 million. Anticipating that our 2020 inflation factor might again be understated, we commissioned a local rent survey last spring to more accurately determine local rent increases – one key element in the annual inflation factor calculation. However, HUD recently published 2020 FMR's and we were pleasantly surprised that they were in line with the early results of our survey. Based on this, we have budgeted a 6% annual inflation factor. Each percentage point adjusts our funding eligibility level by \$1.456 million. HUD's methodology for translating the change in

the local FMR into the region's inflation factor is somewhat opaque: this is our best guess. We do not anticipate receiving HUD's actual inflation adjustment factor for our region before March 2020.

Another unknown, as mentioned above, is the budget proration which will be determined by final congressional appropriation levels for 2020. The 2019 proration for the block grant was 99.5%. For 2020 we are estimating a 99% proration. Using a 6% inflation factor, and assuming a 99% proration on HCV funding, KCHA estimates that funding for the CY 2020 Block Grant will be \$153.6 million, which should generate MTW working capital of approximately \$16.7 million to fund non-HAP related expenses. Should there be a shortfall due to a lower HUD inflation factor or Congressional prorate, KCHA has reserves which can only be used for HUD programs, including undrawn Capital Grant Funds currently estimated at \$18.2 million and \$11.4 million in receipts from the sale of former public housing land at Greenbridge and Seola Gardens. These reserves can be used to bridge the funding gap while other steps, including freezing the wait list for general vouchers, reducing the value of each voucher across the board, deferring increases in payment standards, reducing capital expenditures on the public housing inventory or scaling back education or homelessness initiatives are taken. The Board will be kept closely apprised as the federal funding situation evolves.

### **Housing Choice Vouchers**

Currently KCHA has contract authority for 10,018 vouchers. 8,253 of these vouchers are funded through the MTW block grant (including some targeted to specific populations by KCHA policy), and the balance funded as "special purpose vouchers" (SPVs) outside the block grant that are targeted towards specific populations by HUD requirements. The largest number of SPVs outside the block-grant are VASH vouchers used by homeless veterans. Just this week, HUD notified KCHA that we will be awarded approximately 200 additional vouchers to house non-elderly households with disabilities.

In 2020 the HCV department will continue to emphasize voucher issuance and lease-up. The actual number of households being housed with block-grant vouchers on November 1 was 8,648, reflecting a 395 household over-lease from the HUD baseline. Of the 1,765 special purpose vouchers outside of the block-grant, 243 are not currently leased. This under-lease reflects VASH vouchers that depend on referrals from the VA, and FUP vouchers included in a HUD sponsored evaluation that has slowed the referral process. In total, KCHA averaged 152 units over its combined block-grant and special purpose voucher baseline throughout the year. This total does not include the additional 224 households being assisted through sponsor-based rental subsidies or other forms of non-conventional housing assistance so far in 2019. KCHA's status as a MTW housing authority allows it to help these additional families.

In 2019, the average landlord HAP payment increased by approximately \$59 per month when compared to 2018. This reflects continued market pressures and rent increase requests during the year. Only 24% of KCHA voucher holders have the same rent as they did a year ago. We estimate that by 2019 year's end annual HAP costs will be \$16.1 million higher than in 2018 due to both an increase in average per unit costs and an increase in the total number of vouchers administered.

The draft 2020 budget forecasts 100% utilization of contracted vouchers awarded prior to September 30, 2019. In addition this assumes over-leasing of approximately 650 vouchers in our block grant. With the 2.173% RFIF that we received in CY 2019 and the funding level we have projected for 2020, funding will be sufficient to support the over-leasing in FY2020. The over-leasing in excess of our baseline standard of 300 is necessary to support the efforts of our Creating Moves to Opportunity initiative started in 2018. Our ability to sustain over-leasing at any level beyond FY2020 will be contingent upon on-going funding decisions by HUD and Congress as well as market trends in King County.

### **Subsidized Property Management**

The prorate received for Public Housing in FY2019 was 96.33% and the prorate projected for FY2020 is 90%, with KCHA budgeting receipt of \$10 million in HUD subsidies. If the prorate for 2020 is the same as 2019, KCHA would receive an additional \$700K for Public Housing which would reduce our internal MTW block grant subsidy for this program. At the projected funding proration, \$1.4 million is budgeted from the MTW Block grant to subsidize Public Housing. However, \$735,000 of that amount funds small special construction projects. Therefore, at 100% proration, the Operating Subsidy would fully support operations.

HUD funding includes roughly \$3.3 million in incremental subsidy received as incentives for the Authority's Energy Performance Contract (EPC) measures. A minimum of 75% of this incremental subsidy must be used for energy-related costs including debt service for the measures previously installed.

As with all of our affordable programs, vacancy is very low. The Department expects to see small increases in rental income due to the 1.6% SSI adjustment awarded in January 2020 and due to increased earnings by working families as some wage progression take effect. Overall rental income in Public Housing is reflecting a modest increase of .8% and the other subsidized programs are largely unchanged.

The Housing Management Department is proposing to continue both its Unit Upgrade and Small Projects programs. Initial plans call for 192 units to be upgraded at an average cost of \$31 thousand per unit. This includes 57 units in our asset management portfolio at the Woodland North property. Funding for the Unit Upgrade program comes from a variety of sources with the largest source being the MTW working capital fund. The Small Projects group will also undertake up to \$1 million in contracted

projects. This successful model brings an economy of scale to the procurement and management of projects which are too complex for site staff to undertake and too small for the Capital Construction department.

This budget includes \$11.8 million in capital improvements to this inventory, as further discussed below.

### **Asset Management**

As with the subsidized portfolio, vacancy rates for workforce housing remain very low. Physical occupancy as of October 2019 was 98.6%. Historically these properties see much higher turnover than Public Housing as tenants move for jobs or other reasons. The highest turnover rates occur in the newly acquired properties as the rents of those properties are initially at the market rate. Over time these properties become more affordable because the rents do not rise at the same rate as surrounding market rents and, therefore, turnover rates decline. Most of these properties' rental costs are now below market by double digits; unlike private sector owners the Authority's rent increases are designed to cover expenses but not match the market.

The Asset Management portfolio budget includes projections for routine capital work throughout the portfolio and major rehab at 3 sites, Abbey Ridge, Woodland North, and Bellevue Manor. We anticipate that there may be additional acquisitions during the year. The 2020 budget includes a full year of operations for Emerson, Kendall Ridge, Juanita View and Kirkland Heights which were acquired this year and only included for part of the year in the 2019 budget. In addition, we have added the Overlake property, previously part of the LIHTC partnership portfolio, to this budget.

The Department is estimating that owned and externally-managed properties will deliver \$5.2 million in net cash flow to the Authority, which is roughly the same amount as provided in 2019's budget. Net cash flow (NCF) includes \$1.6 million charged to the properties for KCHA overhead. It excludes amounts kept by the properties for needed capital work not covered by existing replacement reserves.

The tax credit portfolio delivers cash flow to KCHA in the year following; thus 2019 amounts will not be paid until the 2019 audits are completed in March 2020. The current estimate for the March payment is \$7.3 million.

### **Capital Expenditures**

Currently proposed capital expenditures by department include:

Housing Management	\$ 5,832,796
Capital Construction	12,176,039
Asset Management	18,285,395
Development	36,858,093

Other	312,000
Total Planned	<u>\$73,464,323</u>

Major individual projects included in the above chart:

- Housing Management-Unit Upgrades-\$4,506,836
- Capital Construction- Public Housing Improvements -\$7,399,288
- Capital Construction- MKCRF Improvements-\$3,229,001
- Development-Bellevue Manor Redevelopment-\$9,228,452
- Development-Greenbridge -\$5,029,641
- Fee property managers-small projects across whole portfolio-\$15,591,925

Excluding funds budgeted for development activities, the projected 2020 budget for capital upgrades to our inventory is \$36.2 million. This compares to \$40.7 million projected to have been expended in 2019 by year's end. In addition, this budget does not include the \$25.4 million of construction costs for the re-development of Abbey Ridge and Woodland North as both will be part of a tax credit partnership managed externally.

Funding sources have been identified for all budgeted projects. They include capital grant funds and MTW working capital for the HUD funded inventory, property cash flow and replacement reserves for the asset managed properties, and new debt for property acquisitions.

**PERSONAL SERVICE COSTS**

Aside from housing assistance payments, salaries and benefits are the single largest operating expense at KCHA. The baseline increase in personal service costs across the Authority is roughly 5.9%. The greatest drivers of this change are:

1. Cost of Living Adjustments. The 2019 COLA for the KCHA staff was approved by the Board in October. The 2.2% inflation adjustment, based on 100% of the CPI-W for our area, is lower than the 3.6% from 2018. Between represented and non-represented employees, this adds \$653,778 to payroll costs. We are also assuming up to a 2.5% COLA increase in the budget in November 2020.
2. Medical Premiums. After significant increases in 2017, PEBB rate increases have been moderate. Plan increases vary, but no plan increased by more than 4.19% for 2020 and most plans increased by less than 3%. The employee census increased by 10 covered employees which is the primary driver for an increase in insurance costs to KCHA. The average cost per employee for 2020 is \$14,609, a slight increase over 2019's average of \$14,556. Plan designs did not have any significant changes.
3. Over the past 10 years, the cost of participating in the State pension system has gone up dramatically. However, in July 2019, the PERS rate increased only

- slightly from 12.83% to 12.86% of covered wages, where it will remain through 2019.
4. KCHA continues to fund a 2% of eligible payroll merit pool. Employees not at the top of their range who achieve an “exceeds standards” rating are eligible for a merit increase on a range of up to 7%. Employees rated “outstanding” for two consecutive years who are at the top of their range may receive a one-time, 2% bonus which does not increase base pay.

Although KCHA proactively manages our L&I claims, our experience rating continues to rise. In 2020 our rating will be going up to 1.2820 from 1.0829 in 2019. In 2018 the rate was .9411. This rating reflects claims from employees who had significant time loss charges and will increase our L&I expenses next year by approximately \$71,000. Management will be strategizing with our L&I consultants on goals to improve our L&I experience rating.

KCHA is committed to our staff and continued improvements to the policies and procedures that shape our working environment. In 2019 the agency began an initiative to restructure the KCHA performance management and job classification and compensation system. This work is ongoing and included in our 2020 initiatives. All departments have been involved to varying degrees and focus groups are meeting this month to provide staff input on our compensation policy, performance review process, and position description classification restructure. Benchmarking with market is a key element in this process in order to ensure that our salaries remain competitive. We hope to complete this project in 2020.

In addition, the Human Resources department will continue to take the lead on an initiative that expands agency awareness and training on fair and equitable practices. In 2019, a KCHA task force of employees was formed to begin agency wide efforts to address racial equity, diversity and inclusion. The cohort, now called REDI (Race, Equity, Diversity, and Inclusion), are currently participating in a 9 month intensive educational program. Primary objectives for year one center around establishing the team, developing a common language for this work, securing agency-wide training, and developing methods to raise awareness.

Over the next few years, KCHA will be upgrading several components of our technology architecture. The 2020 budget includes a Technology Assessment initiative to assist us in getting this work started. We have contracted with a consulting company who will be on-site in January meeting with staff and evaluating our systems. In addition, we have a 2020 initiative to secure and implement a new Human Resource Management System.

Additional personnel have been requested by various departments as part of this budget, however, none have been approved at this point. Additional approved FTEs, if any, will be discussed at the December meeting.

As this complex budget continues to come together, staff will be working on the year end 2019 cash projections for the major MTW and COCC fund groups as well as tracking developments on the Congressional appropriations front. There will be preliminary estimates of these balances included in the presentation made at the November Board meeting.

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**TO:** Board of Commissioners

**FROM:** Linda Riley, Controller

**DATE:** October 31, 2019

**RE:** 3rd Quarter 2019 Summary Write-Offs

During the third quarter of 2019, tenant accounts totaling \$74,632 were deemed uncollectable and written off. This represents a 19% increase from the previous quarter. Of the 16 accounts written off, three former residents accounted for 83% of the total amount written off. These accounts accrued rent charges due to both unreported income and cleaning/damage charges related to drug use in the unit. Overall, rent owed to KCHA accounted for \$6,932 (9.3%) of the total and cleaning/damage charges accounted for \$53,781 (72%) of the total. Security deposits were retained to offset 3% of the total charges. Per policy, all accounts with a balance owed of \$100 or more will be forwarded to KCHA's contracted collection agency. \$3,656 was recovered by the collection agency during the third quarter.

	<b>Total WRITE-OFFS</b>	<b>YTD WRITE-OFFS</b>
Rent Balance Forward to Vacate Month	\$ 2,827.45	\$ 47,961.45
Retro Rent Write-offs	\$ 15,520.00	\$ 15,520.00
 <b><u>VACATE CHARGES:</u></b>		
Rent Delinquent in Vacate Month	4,104.55	11,699.45
Cleaning & Damages	53,780.98	101,443.80
Paper Service & Court Costs	2,830.96	6,298.39
Miscellaneous Charges	-	16,950.33
Total Charges	<u>60,716.49</u>	<u>136,391.97</u>
Total All Charges	<u>79,063.94</u>	<u>199,873.42</u>
 <b><u>CREDITS:</u></b>		
Security Deposits	(2,498.00)	(8,690.00)
Miscellaneous Payments & Credits	(1,933.60)	(11,519.12)
Total Credits	<u>(4,431.60)</u>	<u>(20,209.12)</u>
<b>Total Net Write-offs</b>	<b><u>\$ 74,632.34</u></b>	<b><u>\$ 179,664.30</u></b>
 <b>Net Write-offs by Portfolio</b>		
KCHA	61,028.26	153,281.38
Green River	-	1,106.67
Egis	-	5,104.33
Soosette Creek	-	5,471.32
Vantage Point	-	1,096.52
Spiritwood Manor	13,604.08	13,604.08
	<b><u>\$ 74,632.34</u></b>	<b><u>\$ 179,664.30</u></b>

**Write-off and Collection Summary  
2017 - 2019**

<b>NET WRITE-OFFS</b>			
	<b>2019</b>	<b>2018</b>	<b>2017</b>
January to March	42,166.82	13,801.87	29,410.02
April to June	62,865.14	110,847.95	28,988.40
July to September	74,632.34	40,570.09	35,216.21
October to December		50,945.89	10,606.63
<b>TOTAL</b>	<b>179,664.30</b>	<b>216,165.80</b>	<b>104,221.26</b>

<b>NET COLLECTIONS</b>			
	<b>2019</b>	<b>2018</b>	<b>2017</b>
January to March	273.57	745.08	3,757.85
April to June	2,449.81	1,064.10	4,104.25
July to September	3,655.74	553.34	588.53
October to December		830.82	4,470.21
<b>TOTAL</b>	<b>6,379.12</b>	<b>3,193.34</b>	<b>12,920.84</b>

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

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**TO:** Board of Commissioners

**FROM:** Tim Baker, Senior Management Analyst

**DATE:** October 4, 2019

**RE:** **Third Quarter CY 2019 Procurement Report**

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In order to update the Board concerning KCHA's procurement activities, staff is presenting the attached Quarterly Procurement Report. This report covers all procurement activities from July through September 2019 that involved the award of contracts valued over the amount of \$100,000 and change orders that have cumulatively exceeded 10% of the original or not to exceed contract amount.

**Awarded Contracts Over \$100,000:**

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

In the first quarter, there were 13 contracts awarded and valued at more than \$100,000, representing 96% of the contracts executed in the quarter. The largest contract executed for construction work was for \$959,235 awarded to Road Construction NW for the Wells Wood site improvements project managed by the Capital Construction Department. The largest contracts for non-construction work were for three task order contracts valued at \$1 million each, executed by the Capital Construction Department for building and pipe assessment services.

Women/Minority owned businesses were awarded 5% of the contracts in the third quarter.

**Contract Change Orders Exceeding 10%:**

KCHA's internal procedures require heightened oversight and review once a contract has incurred change orders valued at more than 10% of the original contract amount. The change order (CO) section of the report includes the issuing department, contract type, company awarded the contract, the original amount awarded, as well as the number of change orders, the amounts of the total change orders to date expressed both in dollars and percentages above the original contract value, and notes about the procurement. Per the Board's request, this section was divided between change orders

issued in response to unforeseen field conditions or expanded project scopes, and change orders which were foreseen at the time the initial contract was let (primarily through contract extensions on multi-year contracts). The not-to-exceed total for the “foreseen” change order section is the projected total amount of the contract once all the foreseen change orders are completed.

There were 4 conditional change orders executed in the quarter. Two were related to the Highland Village project for A&E services and were for redesign and engineering associated with code related changes required by the City of Bellevue to the new construction building at Highland Village.

There were 3 anticipated change orders involving the extension of the contract as allowed in the original contract. Two were issued by Housing Management-maintenance for landscaping services.

# KING COUNTY HOUSING AUTHORITY QUARTERLY PROCUREMENT REPORT

July-September 2019 (Third Quarter)

## Awarded Contracts Over \$100,000

Issuing Department	Contract type	Contract Awarded to	Estimate/Budget Amount	Initial Contract Amount	NTE with extensions	Procurement Process	# of bids	Notes
Asset Management	Ballinger Commons fireplace & fan replacement	Henden Electric	\$90,590	\$101,752	\$101,752	sealed bid	3	Contractor has successfully performed on several KCHA projects.
Asset Management	A&E services for Rainier View redevelopment	Kirkbride	\$139,137	\$133,700	\$133,700	RFQ	5	New consultant for KCHA.
Asset Management	Toilet replacement at multiple sites	Pavement Maintenance	\$828,094	\$769,990	\$769,990	sealed bid	4	Contractor has successfully performed on many KCHA projects. Woman owned business.
Capital Construction	Wayland Arms roof replacement	Libby Builders	\$143,632	\$142,900	\$142,900	sealed bid	2	Section 3 contractor. Has performed successfully on many KCHA projects.
Capital Construction	Wayland Arms waste line replacement	Trenchless Pipe Repairs	\$128,622	\$149,500	\$149,500	sealed bid	1	Contractor is only pipelining services having equipment needed to line pipe with multiple "T" and "Y" connection without excavating the connection
Capital Construction	Southridge waste line renovations	Trenchless Pipe Repairs	\$245,681	\$243,131	\$243,131	sealed bid	1	Contractor is only pipelining services having equipment needed to line pipe with multiple "T" and "Y" connection without excavating the connection
Capital Construction	Wells Wood site improvements	Road Construction NW	\$855,122	\$959,235	\$959,235	sealed bid	2	Contractor has successfully performed on many KCHA projects.
Capital Construction	pipe inspection services	TPR	\$1,000,000	\$1,000,000	\$1,000,000	RFP	1	Contractor has successfully performed on many KCHA projects.
Capital Construction	building assessment services	RDH	\$1,000,000	\$1,000,000	\$1,000,000	RFP	2	New consultant for KCHA.
Capital Construction	building assessment services	Morison Hershfield	\$1,000,000	\$1,000,000	\$1,000,000	RFP	2	New consultant for KCHA.
Weatherization	Northlake House mechanical upgrades	Resicon	\$202,884	\$209,668	\$209,668	sealed bid	3	Contractor has successfully performed on many KCHA projects. Woman owned business.
Weatherization	Laurelwood Gardens mechanical upgrades	UCONS	\$455,204	\$345,618	\$345,618	sealed bid	2	Contractor has successfully performed on many KCHA projects.
Weatherization	Meadows on Lea Hill mechanical upgrades	UCONS	\$571,976	\$595,877	\$595,877	sealed bid	2	Contractor has successfully performed on many KCHA projects.
<b>Total</b>			<b>\$6,660,942</b>	<b>\$6,651,371</b>	<b>\$6,651,371</b>			

## Contracts exceeding 10% cumulative change order-Condition Changes

Issuing Department	Contract type	Contract awarded to	Initial Contract Amount/NTE*	Change Order Amount & No. This Quarter	Total Contract Value to Date	% of NTE*	Notes (Current Quarter Change Orders)
Asset Management	Meadows roofing replacement	K-A	\$33,998	\$6,631 (1)	\$40,628	20%	Additional roof venting needed to prevent plywood decay.
Asset Management	Highland Village A&E services	Innova	\$404,000	\$10,630 (9)	\$863,134	114%	Additional construction administration costs and new requirements from the city of Bellevue.
Asset Management	Highland Village A&E services	Innova	\$404,000	\$16,609 (10)	\$879,743	118%	Additional construction administration costs and new requirements from the city of Bellevue.
Weatherization	Windsor Heights HVAC installation	Resicon	\$103,422	\$60,621 (2)	\$166,594	61%	Adding two more buildings to the project
<b>Total</b>			<b>\$945,420</b>		<b>\$1,950,099</b>		

## Contracts with contract extensions or other foreseen change orders

Issuing Department	Contract type	Contract awarded to	NTE*	Change Order Amount & No. This Quarter	Current Contract Value	% of NTE*	Notes (Current Quarter Change Orders)
Housing Management-maint	emergency telephone services	ABS Communications	\$50,000	\$23,220 (1)	\$48,220	96%	Last extension to the contract.
Housing Management-maint	landscaping services	Brightview	\$500,000	\$235,177 (4)	\$497,177	99%	Last extension to the contract.
Housing Management-maint	landscaping services	Brightview	\$1,000,000	\$417,542 (3)	\$699,850	70%	Last extension to the contract.
<b>Total</b>			<b>\$1,550,000</b>		<b>\$1,245,247</b>		

\*NTE = Not To Exceed

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# **KCHA IN THE NEWS**

**November 18, 2019**

# FEDERAL WAY MIRROR



Riverstone Apartment Complex in Federal Way. Courtesy photo

AFFORDABLE HOUSING

## Federal Way council members raise issues with Microsoft's affordable housing investment

City did not have a say in purchase of Federal Way apartments, council members say, as they question whether this solution is the right fit for Federal Way.

by [Olivia Sullivan](#)

Friday, October 18, 2019 8:06am

In an effort to preserve affordable housing, Microsoft Corp. recently invested \$60 million to King County Housing Authority, which includes the acquisition of a Federal Way apartment complex.

The effort is part of a the company's total \$245 million investment will protect 1,029 units of affordable rental housing throughout King County, 308 of which are in Federal Way.

But several Federal Way City Council members are concerned about whether the city will have a say in the process as the Housing Authority works to create more, and if this solution is the right fit for Federal Way.

Microsoft said this investment underscores a significant milestone for Microsoft's \$500 million commitment they announced in January toward creating and preserving affordable housing in the Puget Sound region.

For a breakdown, the partnership comes in the form of a 15-year, \$60 million loan from Microsoft to the Housing Authority at below-market interest rates, combined with \$20 million in low-interest debt and additional credit enhancements provided by King County, and \$140 million in bonds issued by the Housing Authority, according to a Sept. 26 press release from Microsoft.

Microsoft's \$60 million investment aids the Housing Authority's purchase of Riverstone Apartment homes in Federal Way, along with four other residential apartment complexes in Kirkland and Bellevue.

Riverstone Apartments offers housing options from 550-square-foot studios in the price range of \$1,065, to 1,150-square-foot three bedroom, two bathroom units for \$1,815 per month.

The purchasing of these properties ensures rents will remain affordable long-term and will allow more than 3,000 low- and middle-income individuals to remain in their communities, the release states. Rents will not be subsidized and current Riverstone residents will be allowed to remain at this location.

"Because of their location, these affordable properties were at high risk of experiencing rapidly escalating rents or redevelopment as higher-cost housing," the press release continues.

"We are committed to maintaining and bolstering strong, vibrant communities here in the greater Puget Sound region," stated Jane Broom, senior director of Microsoft Philanthropies, in the press release. "Thriving communities include safe, reliable and affordable housing options for people at all income levels. To do this, we all need to come together to not only build more housing options, but also to preserve what already exists."

Federal Way City Council members weighed in on Microsoft's investment with mixed reactions.

Mayor Jim Ferrell offered his support of the investment.

"It's important for our community to have a diverse array of housing options for a variety of income levels, and this acquisition helps fulfill that need," he said.

However, several officials said they only learned of the affordable housing collaboration after the Federal Way purchase had been made.

Federal Way Council member Mark Koppang said his frustrations arise from the Housing Authority and Microsoft's apparent lack of transparency in collaborating with Federal Way on such a major issue.

"Remarkably, there's been very little conversation between the county, Microsoft and Federal Way," Koppang said.

"Considering the momentousness of King County actually purchasing the property in Federal Way to execute their vision of how to address the homelessness issue — without even having a conversation with policymakers — I would say it's arrogant and I think it reflects, in my mind, just a continued bias that King County has for doing what they want to do as opposed to really collaborating with Federal Way."

King County Housing Authority did not respond to multiple requests for comment.

Koppang said the investment demonstrates a regional push to force Seattle solutions into the South King County area, and whether it is a good or a bad thing remains to be seen.

"I want to be a part of the conversation," Koppang said. "Federal Way really needs to be able to come up with Federal Way solutions."

The upside is the investment will take a four-decade-old property in need of updating and refurbishment, and bring the property up to standards, said Koppang, who lived at Riverstone in 1986.

“It’s an unknown as far as what the impact would be,” Koppang said. “My concern would be for the security of our citizens, absolutely, in that we have a place that ... is not going to bring people into the community [who] are going to cause problems.”

“Are they going to be screening their tenants? Are they going to be doing the things that create safe and viable housing alternatives for people with low- to moderate-incomes?” he questioned. “Or is it going to be run in a way that ... may potentially create new problems for Federal Way? That’s the question.”

Council member Jesse Johnson said he was surprised at the amount of money invested into the affordable housing crisis, but he is wary of other factors.

“It’s a huge investment,” Johnson said. “I think it’s just important ... that we don’t allow developers to be the ones that benefit the most by being able to build the most amount of complexes, because of how much money is there, without considering the citizens and the local municipalities how they have to policy all of that.”

It will be important for the mayor and the council to monitor the type of housing coming in to the city, the timing of the developments, and how much housing is brought in at any one time, Johnson said.

Johnson, who grew up in Federal Way, said he personally has seen the city’s boom of apartment buildings over the last few years.

“Some of that is a good thing, because we do need housing for people as they move into the city and we want to be a family-friendly city and making sure we’re providing that housing,” he said. “But at the same time, I think workforce housing is very important.”

Workforce housing, by Johnson’s definition, would include housing suitable for seniors, young professionals, working families and more, in addition to the apartment buildings.

“I really am a fan of, for example, the single family homes, town homes in a complex rather than housing that is more vertical — just for our area,” he said.

Johnson would like to see housing options that create more of a neighborhood feel to the city rather than the vertical structures. It is critical the city provides housing that reflects what council members want this city to be, he added.

“We do have a younger city, but we also have a city that has senior citizens as well ... We need to have a balance of that and I think the workforce housing model is a really good idea,” Johnson said, explaining two-to-three bedroom condominiums and townhouse-like housing options.

The type of affordable housing brought to the city also has potential repercussions on Federal Way’s infrastructure, schools and tax base, Johnson said.

“I think it’s important we ... don’t put too much of a burden on single family [tax]payers or people that own their homes,” Johnson said.

These investments will put more stress on local government and various departments to fund the influx of residents to the city with these new low-income options, he added. He noted the city’s population recently exceeded 102,000 residents.

“For the amount of space that’s in Federal Way, we’re pretty much at capacity,” Johnson said. “What that means is that we’re going to have to start looking at undeveloped land ...”

The city will need a strategic plan and course of action for the future of Federal Way's housing, as the city's most recent Comprehensive Plan was updated in 2015, Johnson said.

"I don't have any concerns in terms of people moving into the city," he noted. "I do think that people moving in is always a good thing for the city as long as it's monitored well."

Federal Way Deputy Mayor Susan Honda said the acquisition of the Riverstone apartment complex has many citizens concerned and that "the city did not have a say in this purchase."

The Riverstone complex is considered affordable workforce housing, which is not considered low-income housing, she noted.

There shouldn't be any changes to the school impact as families already live there and may continue to live there, Honda stated.

"Federal Way does need a mixture of housing," Honda said. "This is part of what makes a strong community, having housing for all levels of income."

## Microsoft's housing pledge shows welcome innovation

Oct. 9, 2019 at 3:17 pm



*Microsoft is helping finance the purchase of five older apartment complexes, including the Emerson Apartments in Kirkland, preserving a total of... (Ken Lambert / The Seattle Times)*

By [The Seattle Times editorial board](#)

A partnership between Microsoft and King County Housing Authority demonstrates the creativity and teamwork the region needs, as it works to address its shortage of affordable housing.

Other major employers should consider following Microsoft's lead in offering new approaches to a housing challenge their growth exacerbates. Government cannot solve this problem itself, especially not by increasing taxes that reduce affordability.

Microsoft is helping finance the purchase of five older apartment complexes, preserving a total of 1,029 units affordable to middle- and lower-income residents. The complexes in Bellevue, Kirkland and Federal Way were likely to see big rent increases or demolition, to make way for more expensive housing.

Microsoft is loaning \$60 million at 1% interest to make the deal happen. King County is providing \$20 million, leveraging lodging taxes that historically funded stadiums, and the housing authority will issue \$140 million in bonds.

This is the first big outlay from Microsoft's [remarkable pledge](#) of \$500 million toward the regional housing crisis. It will provide \$225 million of below-market financing and \$250 million of market-rate financing for housing projects, plus \$25 million in grants. This should nudge the market to produce and preserve more midrange housing, particularly in suburbs.

Creativity is shown not just in financing, but in opting to preserve older structures that are naturally more affordable and cost much less than developing new units.

Efficiencies need to be part of the conversation as the region invests heavily in subsidized housing. Not only is more housing needed, taxpayers need to get the best return possible on their investments.

Within King County, cities, the county, the state and the federal government invested at least \$306.5 million per year, on average, in affordable housing from 2012-2017.

Statewide, taxpayers invested more than \$1 billion in affordable housing since 1987, through tax breaks provided to developers building or rehabilitating apartments and keeping 20% affordable. Such breaks shift tax burden to other taxpayers. But the benefits — how much affordability results — are unclear because of weak and inconsistent reporting, according to a recent legislative audit. Municipalities must improve reporting of outcomes.

As with the response to homelessness, it helps to have companies like Microsoft participate. They bring high standards for measuring progress and accountability. That helps drive efficiency and better performance, which in this case means helping as many people as possible maintain or obtain affordable housing.

Public-private partnerships also demand transparency. Affordable housing is not just a policy question, it's a profitable business for some — Microsoft expects a decent return on its market-rate financing. So the public must know how its dollars are being used and how everyone benefits.

For more than 3,000 county residents living in the 1,029 preserved apartments, the most important thing here is that they won't lose their affordable homes. Their rents are now stabilized. Future increases will be moderate, reflecting operating costs, not profit-seeking and market-driven price increases.

The public retains ownership — Microsoft is basically being a helpful bank. Eventually, the housing authority could add additional units at some sites. The authority could also redevelop them in the future, taking advantage of incentives available for transit-oriented developments, as they are near transit service.

Progress on housing is happening, with good ideas and welcome support from corporate neighbors. But more is needed.



# Wild police chase from Bellevue to Seattle started as domestic disturbance

Bellevue police started chasing the suspect at about 10:30 a.m. after getting a call from the suspect's ex-girlfriend that he assaulted her.

Author: KING Staff

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RENTON, Wash. — A man was arrested Wednesday in south Seattle after leading police on a lengthy car chase.

It all started around 10:30 a.m. as a domestic disturbance involving the man and his ex-girlfriend. Police said the 25-year-old woman called 911 to report her ex had gotten into her apartment, broke down her bathroom door, and assaulted her.

The woman was able to give the dispatcher the address of the apartment complex at 1300 block of 145th Place SE.

The woman was able to get away and ran into the apartment complex office. The 24-year-old suspect then got into his car and drove his vehicle into the front of the building where she was hiding, police said.

When Bellevue police arrived, the suspect took off and drove onto southbound I-405.

Washington State Patrol troopers also came in to assist. At times, the suspect was driving over 80 mph.

The suspect eventually exited I-405 and went through Renton and then into south Seattle.

J.C. Coleman, who witnessed the end of the chase, said the suspect jumped out of the vehicle he was driving after it appeared to begin smoking. He said the suspect then ran over to an occupied minivan and attempted to steal it.

Coleman said he ran for cover in case anyone started shooting.

Police surrounded the vehicle before arresting the suspect near the intersection of 23rd Avenue and S. Rainier Avenue shortly after 11 a.m.

Bellevue and Seattle Police Departments and the King County Sheriff's Office responded to the chase.

Detectives are investigating the domestic violence assault, attempted kidnapping and attempted murder at the apartment complex in the 1300 Blk 145 Pl SE. The victim sustained minor injuries. The suspect was taken to the hospital to be cleared before being booked into jail.