

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

Monday, December 16, 2019

I. CALL TO ORDER

The meeting of the King County Housing Authority Board of Commissioners was held on Monday, December 16, 2019 at 700 Andover Park West, Tukwila, WA 98188. There being a quorum, the meeting was called to order by Chair Doug Barnes at 8:31 a.m.

II. ROLL CALL

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

III. Public Comment

Lillie Clinton gave public comment.

IV. APPROVAL OF MINUTES

A. Board Meeting Minutes – November 18, 2019

On motion by Commissioner Susan Palmer and seconded by Commissioner TerryLynn Stewart, the Board unanimously approved the November 18, 2019 Board of Commissioners' Meeting Minutes.

V. APPROVAL OF AGENDA

On motion by Commissioner Susan Palmer and seconded by Commissioner TerryLynn Stewart, the Board unanimously approved the December 16, 2019 Board of Commissioners' meeting agenda.

VI. CONSENT AGENDA

A. Voucher Certification Report for October 2019

On motion by Commissioner Michael Brown and seconded by Commissioner John Welch, the Board unanimously approved the consent agenda.

VII. RESOLUTIONS FOR DISCUSSION & POSSIBLE ACTION

A. Resolution No. 5641 – Acceptance of Washington State Auditor’s Office Report on Financial Statements and Federal Single Audit (No. 1024670) and the Accountability Audit Report (No. 1025074), both for the period January 1, 2018 through December 31, 2018.

Craig Violante, Director of Finance, presented the audits to the Board.

This resolution is to accept both of the audits.

The Financial Audit is about financial statements and the Single Audit is about Federal Programs. These are combined into one.

The Accountability Audit is performed by the state to judge our compliance against state laws, rules, regulations and our own internal policies.

Questions of Commissioners’ were answered.

On motion by Commissioner TerryLynn Stewart and seconded by Commissioner Michael Brown, the Board unanimously approved Resolution No. 5641.

B. Resolution No. 5642 – Authorizing Approval of the Comprehensive Operating and Capital Budgets for Calendar Year beginning January 1, 2020.

Craig, Director of Finance and Jill Stanton, Deputy Executive Director for Administration gave a presentation with details for the budget for 2020.

Questions of Commissioners’ were answered.

On motion by Commissioner John Welch and seconded by Commissioner TerryLynn Stewart, the Board unanimously approved Resolution No. 5642.

C. Resolution No. 5643 – Authorizing Higher Payment Standards for the Housing Choice Voucher Program.

Andrew Calkins, Manager of Policy and Legislative Affairs and Pam Taylor, Associate Director of Housing Choice Vouchers explained staff’s recommendation for 2020 Payment Standards for the Housing Choice Voucher Program. At the end of each year, staff completes a review of the payment standards system that examines both the Payment Standard amounts and also the configuration of the six tier system.

Staff presented a summary of rent trends in King County. The King County HUD Fair Market Rent is the 8th highest in the country. The rental market has recently risen more slowly than in 2016 and 2017, however, the rents are continuing to rise especially in South King County. Rents paid by voucher holders who are new or

moving on the program are higher than those of currently leased households. Of currently leased households, 14% are shelter burdened, meaning they are spending more than 40% of their income on rent and utilities. In 2016, 22% of tenant-based households were shelter burdened.

Staff presented the three components of the Payment Standards proposal, which included: 1) Moving nine zip codes to different tiers based on changes in their 40th percentile rents; 2) Increasing payment standard amounts in all tiers; and 3) Increasing the studio payment standards to 95% of the one bedroom payment standard amount in all tiers. Staff explained that increases in the payment standards will bring us more in line with the market and are necessary to ensure that new voucher holders are able to find affordable units.

Questions of Commissioners' were answered.

On motion by Commissioner TerryLynn Stewart and seconded by Commissioner John Welch, the Board unanimously approved Resolution No. 5643.

D. Resolution No. 5644 – Resolution providing for the issuance of the Authority's Non-Revolving Line of Credit Revenue Note, 2019 (Hampton Greens Apartments) in the principal amount of not to exceed \$126,500,000 to finance the acquisition of the Hampton Greens Apartments in Bellevue, Washington, and determining related matters.

Tim Walter, Senior Director of Development and Asset Management updated the Board on the status of the due diligence on the property and explained this resolution.

Update of Due Diligence on Hampton Greens:

- Hampton Green's was built in the 1980's and the property is located at the north end of the City of Bellevue.
- Phase I – Environmental. There were no environmental concerns that were identified in the Phase I environmental report.
- The property appraised at \$130 million which is slightly higher than the purchase price that was negotiated with the seller.
- Physical Inspection – We bring in a third party inspector who generally samples between 20% to 40% of the units. In addition, we bring in two to four of the Asset Management and Capital construction folks from KCHA.
- If need be, we will also bring in a third party inspector for specialty work. In this case we brought in someone to look at the tile roofs.
- There are quite a few trees that are close to the building, so we will probably have some tree removal done and storm drainage work.
- The majority of the units are dated and the owner was intending remodel the existing units in an effort to increase rents at the property.

- Typically owners will raise rents \$150 - \$300 when they remodel apartments and it is not uncommon to see some residents be displaced when their rents go up this much.
- We have not identified any issues of concern with respect to the due diligence work.
- We are pleased that this property will be a long term affordable housing asset for this community.

For the financing, we put together a short term line of credit for one year with Key Bank. We will then go to the capital bond market to secure permanent long term financing for approximately 50-60% of the principal amount. We would like to try and lock in the permanent financing as interest rates are currently very favorable.

We would like to use this property and find partners to secure mezzanine financing. We believe we could cover up to 100% of financing if we can find a partner. We have also secured \$10 million in County TOD Financing.

Questions of Commissioners' were answered.

On motion by Commissioner John Welch and seconded by Commissioner Susan Palmer, the Board unanimously approved Resolution No. 5644.

VIII. BRIEFINGS AND REPORTS

A. Third Quarter CY 19 Financial Report

Windy Epps, Assistant Director of Finance gave a summary of the Third Quarter Financial Report.

Questions of Commissioners' were answered.

B. Third Quarter Board Dashboard

Andrew Calkins, Manager of Policy gave an overview of the Executive Dashboard

Questions of Commissioners' were answered.

IX. EXECUTIVE DIRECTOR REPORT

Director Norman reported that it appears that there is a budget deal on the federal level. We are watching for:

- 1) Funding levels for the Section 8 and Public Housing programs. We expect the final numbers to be somewhere between the House and Senate versions, both of which

provide what is essentially “maintenance of effort” level funding. The final funding level should be at or slightly above the numbers we projected in the budget that the Board just approved.

2) Proposed language (included in the Senate version) that would maintain our MTW flexibilities and protect our MTW working capital. One key provision would preclude HUD from unilaterally changing the terms of our Annual Contributions Contract. We expect to know shortly whether this language made it into the final version of the bill.

Kudo’s to Tim and his team. KCHA marketed \$12.5 million in bonds this month and was able to lock in a 2.85% interest rate for 20 years. This is one of the direct benefits of having a healthy balance sheet. We will be moving forward over the next few months with additional bond sales in order to take advantage of the current favorable rate environment.

X. KCHA IN THE NEWS

None.

XI. COMMISSIONER COMMENTS

None.

XII. ADJOURNMENT

Chair Barnes adjourned the meeting at 10:15 a.m.

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



DOUGLAS J. BARNES, Chair
Board of Commissioners



STEPHEN J. NORMAN
Secretary