



MEETING OF THE BOARD OF COMMISSIONERS

TELEPHONIC MEETING

Monday, November 16, 2020

Zoom Meeting:

<https://zoom.us/j/99815827353?pwd=NHhreEpzczlwTVROUWVEaW4wdDdDUT09>

PASSCODE: 573780

Meeting ID: 998 1582 7353

**Dial by your location
+1 253 215 8782 US (Tacoma)**

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



MEETING OF THE BOARD OF COMMISSIONERS TELEPHONIC AGENDA

November 16, 2020
8:30 a.m.

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

-
- | | |
|--|----------|
| I. Call to Order | |
| II. Roll Call | |
| III. Public Comment | |
| IV. Approval of Minutes | 1 |
| A. Board Meeting Minutes – October 12, 2020 | |
| V. Approval of Agenda | |
| VI. Consent Agenda | 2 |
| A. Voucher Certification Reports for September 2020 | |
| VII. Resolution for Discussion and Possible Action | |
| A. Resolution No. 5667 – Authorizing the Disposition of Greenbridge Division 8 Property by Negotiated Sale to Conner Homes and Greenbridge 8 LLC and/or Another Affiliate of Conner Homes | 3 |
| B. Resolution No. 5668 – A Resolution Authorizing Acquisition of Pinewood Village Apartments | 4 |
| C. Resolution No. 5669 – A Resolution Authorizing Acquisition of Illahee Apartments | 5 |
| D. Resolution No. 5670 – A Resolution Authorizing Acquisition of the Oaks at Forest Bay Property Located in Shoreline | 6 |

VIII. Briefings & Reports

- A. 2021 Budget Briefing 7
- B. Third Quarter 2020 Quarterly Write-Off Summary Report 8

IX. Executive Session

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

X. Executive Director Report

XI. KCHA in the News 9

XII. Commissioner Comments

XIII. Adjournment

Members of the public who wish to give public comment: We are only accepting written comments for the time being due to COVID-19. Please send your written comments to kamir@kcha.org prior to the meeting date. If you have questions, please call 206-574-1206.

T A B N U M B E R

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

Monday, October 12, 2020

I. CALL TO ORDER

The telephonic meeting of the King County Housing Authority Board of Commissioners was held on Monday, October 12, 2020 at 700 Andover Park West, Tukwila, WA 98188. There being a quorum, the telephonic meeting was called to order by Chair Doug Barnes at 8:31 a.m.

II. ROLL CALL

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

Excused: Commissioner John Welch

III. Public Comment

None.

IV. APPROVAL OF MINUTES

A. Board Meeting Minutes – September 21, 2020

On motion by Commissioner Susan Palmer and seconded by Commissioner Michael Brown, the Board unanimously approved the September 21, 2020 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 12, 2020 telephonic Board of Commissioners' meeting agenda.

VI. CONSENT AGENDA

On motion by Commissioner Michael Brown and seconded by Commissioner TerryLynn Stewart, the Board unanimously approved the October 12, 2020 telephonic Board of Commissioners' meeting consent agenda.

VII. RESOLUTION FOR DISCUSSION AND POSSIBLE ACTION

A. **Resolution No. 5665** - Authorizing a change in the Administrative and Collective Bargaining Unit Pay Schedule of 1.9%, effective November 2020

Craig Violante, Director of finance presented the COLA for KCHA employees.

This Resolution authorizes an increase in salaries for all Administrative and Collective Bargaining Unit employees of 1.9%, which represents 100% of the Consumer Price Index for Clerical Workers (CPI-W) for the Seattle-Tacoma area annualized for the first six months of 2020.

The budget impact for this is \$682,000 and can be supported by KCHA. This COLA has been the lowest that it has been in 5 years, below 2%. This will be in effective November 2020.

On motion by commissioner TerryLynn Stewart and seconded by Commissioner Susan Palmer, the Board unanimously approved Resolution No. 5665.

B. Resolution No. 5666 – A Resolution relating to Employee Compensation; Authorizing Temporary Compensation to All Employees of the Authority; and Directing Implementing Actions

Jill Stanton, Deputy Executive Director for Administration presented the resolution relating to Employee Compensation.

KCHA recognizes that the global pandemic has caused our employees to work in unusual ways and circumstances. We believe they are occurring increased costs and will be compensating \$60 per month for the period of October 2020 through June 2021 with the exemption of Executive Team members.

Questions of commissioners' were answered.

On motion by commissioner TerryLynn Stewart and seconded by Commissioner Michael Brown, the Board unanimously approved Resolution No. 5666.

VIII. BRIEFINGS AND REPORTS

A. VRT Briefing

Jill Stanton, Deputy Executive Director for Administration presented the work that is being done.

- Holding an all staff VRT meeting this week
- Initiatives for employees
- Showcase training videos
- Wellness checks
- Dedicate our program to express our gratitude to staff
- All of our commissioners are welcome to attend
- We have 80 families that have children in school.

We understand that employees will be homeschooling their children when they are working. We are allowing flexible schedules where they can work in the evenings. Installing Wifi in 26 of our offices.

Questions of commissioners' were answered.

B. Second Quarter CY 2020 Financial Report

Windy Epps, Assistant Director of Finance reported out the Second Quarter 2020 Financial Results.

Second quarter financial performance in 2020 was very strong as both operating income and expenses reflected positive variances compared to budget. Cash reserves remain solid, with \$57.1 million in unrestricted and program reserves, and \$142.9 million in designated and restricted cash.

Questions of commissioners' were answered.

C. One Year Extension of the Collective Bargaining Agreement between KCHA & the Seattle/King County Building Construction Trades Council

Jill Stanton, Deputy Executive Director for Administration explained the extension and changes for the contract.

We are at the end of a two year contract for our union members. It is set to expire on October 31, 2020. We have come to an agreement for a one-year extension that will expire on October 31, 2021. The union did take it to a vote and we negotiated a few terms.

- Wages rates will be adjusted by the 1.9% COLA
- Call out roster and standby pay will be increased to \$300 per week
- 2021 employee health premiums will assume the same cost sharing
- Allowances for footwear will increase to \$300

Questions of commissioners' were answered.

D. Revision to KCHA's Mission Statement

Channie Butler, Applications Development Specialist and REDI Team Co-Chair and Ken Nsimbi, Youth Programs Coordinator and REDI Team Co-Chair, presented the background and KCHA's new Mission Statement

We had the Diversity Awareness Team before the REDI Team was created in 2019. The REDI Team is comprised of 11 employees from different departments for representation.

Final KCHA Mission Statement:

As a national leader in affordable housing, KCHA serves to provide innovative, effective, and equitable housing solutions so that all people and communities can prosper.

Questions of commissioners' were answered.

Next step is Courageous Conversations that will be happening across all of KCHA.

IX. EXECUTIVE DIRECTOR REPORT

Director Norman thanked the Board for passing the resolutions for the COLA and Supplemental Pandemic Pay.

He noted that KCHA, like many other organizations, is very concerned about employee stress and burnout. Uncertainty as to where this pandemic is heading, isolation from the work team, challenges around childcare and child education are all contributing to this. Staff are doing a terrific job in the face of all this in continuing to deliver essential services and serve our community.

Jill and the Virus Response Team conducted an employee survey – particularly focused on staff with children - to better understand these challenges. The results, and the realities of what employees are dealing with were truly compelling. This is what motivated leadership to come to the Board with this compensation proposal.

The Director acknowledged Craig Violante's role in putting the supplemental compensation package together. Both legal counsel and the State Auditor's office were consulted to assure that this approach was permissible. Kudos go to Craig and Jill for working through the complex questions involved.

He noted that there is a fair amount of ongoing uncertainty regarding the overall impact of the pandemic on our revenues and expenses. KCHA is monitoring a whole range of metrics carefully. Accounts receivable continue to increase in our public housing and workforce housing portfolios. We have so far been able to use CARES Act funding to offset additional expenses and decreased revenues in the HUD programs. It is encouraging that additional support for the public housing and housing choice voucher programs has been included in both the House and Senate versions of any potential next relief bill.

Director Norman noted that while it was unlikely that an additional relief bill would be approved before the election. He expressed confidence that a bill would eventually be passed and that there would be supplemental money included to address public housing and Housing Choice Voucher program financial shortfalls.

One key factor in looking at next year's revenue projections is the HUD inflation factor for the Housing Choice Voucher program. HUD has reset the region's Fair Market Rents (FMR) for 2021 at a number 10% below the 2020 levels. We have chosen not to challenge this recalibration at the present time given the uncertainty in the market. We will commission a new market study during the upcoming year and look for a significant increase in 2022.

The Governor has extended the state-wide eviction and utility shut-off moratoriums until the end of December 2020. This reflects the economic reality confronting our low income communities and hopefully will prevent major housing insecurity until economic relief for rent burdened households becomes available from the federal government.

This moratorium is less an issue for KCHA's clients, as we are not evicting residents, as it is for unsubsidized low income households in the community.

Executive Director Norman asked Director's for updates on several initiatives.

John Eliason, the HOPE VI Development Director reported on the current land offering at Greenbridge:

Home sale volume and pricing in the Puget Sound region continue to be robust. The timing on the Authority's current offering is fortunate and we have seen a good market response:

- Property went on the market July 30.
- 20 tours of the property have been conducted with home builders.
- Top builders in the region are interested in the property.
- Offers are due on October 15th
- Staff will review proposals and intends to bring a recommendation to the Board in November.

Director Norman noted that John and his team have done a magnificent job in procuring necessary permits and structuring a very attractive offering.

Tim Walter, Senior Director of Development and Asset Management reported on a number of previously authorized real estate transactions:

LifeWire Acquisition of the Firs – LifeWire has filed applications with the County and the regional REDI Fund for acquisition financing. They have been approved for sufficient financing to acquire the property without any assistance from KCHA. We are ready to step in with short term financing if they run into any last minute issues.

Oaks at Forest Bay Nursing Home – This project is continuing to move forward. This is a complex transaction involving partnerships with the County, the City of Shoreline and a local community group, Lake City Partners. As the initial proposed use of the site is as a low barrier shelter, there is an active conversation going on in the neighborhood. There is both community support and some vocal community issues being voiced. The Shoreline Council is generally supportive but has raised some concerns to the County. We will continue to work with all parties.

X. KCHA IN THE NEWS

None.

XI. COMMISSIONER COMMENTS

Commissioner Stewart is concerned regarding communication for residents for Board meetings. We will look into that and circle back. If there is a way that they can call in and not write in as we haven't heard from residents in a while.

Commissioner Palmer commented that there is a lot of of good work that is still going on and proud to be a part of KCHA.

XII. ADJOURNMENT

Chair Barnes adjourned the meeting at 9:42 a.m.

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

DOUGLAS J. BARNES, Chair
Board of Commissioners

STEPHEN J. NORMAN
Secretary

T A B N U M B E R



To: Board of Commissioners

From: Ai Ly, Accounting Manager

Date: October 30, 2020

Re: VOUCHER CERTIFICATION FOR SEPTEMBER 2020

I, Ai Ly, 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.

Ai Ly
Accounting Manager
October 30, 2020

Bank Wires / ACH Withdrawals		9,346,552.46
	<i>Subtotal</i>	9,346,552.46
Accounts Payable Vouchers		
Key Bank Checks - #330933-#331475		3,538,834.08
Tenant Accounting Checks - #11224-#11248		3,765.07
	<i>Subtotal</i>	3,542,599.15
Payroll Vouchers		
Checks - #92348-92382		57,522.98
Direct Deposit		1,697,223.76
	<i>Subtotal</i>	1,754,746.74
Section 8 Program Vouchers		
Checks - #631255-631694; #631648		259,467.01
ACH - #491585-494294		16,696,660.66
	<i>Subtotal</i>	16,956,127.67
Purchase Card / ACH Withdrawal		249,782.24
	<i>Subtotal</i>	249,782.24
	GRAND TOTAL	\$ 31,849,808.26

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

FROM: Wen Xu, Director of Asset Management

I, Wen Xu, do hereby certify under penalty of perjury that the claims represented by the wire transactions below were just, due, and unpaid obligations against the Housing Authority, and that I, and my designees, are authorized to authenticate and certify said claims.

Wen Xu

Date

Property	Wired to Operating Account for Obligations of Property			Notes:
	Date	Wire Transaction	Claim	
Ballinger Commons	09/02/2020	\$ 108,453.18	A/P & Payroll	
Bellepark	09/02/2020	\$ 3,594.49	A/P	
Emerson	09/02/2020	\$ 47,831.05	A/P & Payroll	
GILMAN SQUARE	09/02/2020	\$ 23,625.27	A/P & Payroll	
Hampton Greens	09/02/2020	\$ 3,400.71	A/P	
Kendall Ridge	09/02/2020	\$ 27,504.59	A/P	
Landmark	09/02/2020	\$ 2,131.29	A/P	
Meadowbrook	09/02/2020	\$ 39,237.44	A/P & Payroll	
Riverstone	09/02/2020	\$ 7,156.00	A/P	
Villages at South Station	09/02/2020	\$ 36,334.57	A/P & Payroll	
Woodside East	09/02/2020	\$ 11,999.33	A/P	
ALPINE RIDGE	09/03/2020	\$ 5,441.38	A/P & Payroll	
ARBOR HEIGHTS	09/03/2020	\$ 18,295.77	A/P & Payroll	
Aspen Ridge	09/03/2020	\$ 14,176.46	A/P & Payroll	
Auburn Square	09/03/2020	\$ 12,450.21	A/P & Payroll	
Carriage House	09/03/2020	\$ 17,286.02	A/P & Payroll	
CASCADIAN	09/03/2020	\$ 61,638.83	A/P & Payroll	
Colonial Gardens	09/03/2020	\$ 5,423.69	A/P & Payroll	
FAIRWOOD	09/03/2020	\$ 13,175.29	A/P & Payroll	
HERITAGE PARK	09/03/2020	\$ 13,866.04	A/P & Payroll	
LAURELWOOD	09/03/2020	\$ 13,289.38	A/P & Payroll	
Meadows	09/03/2020	\$ 10,431.34	A/P & Payroll	
Newporter	09/03/2020	\$ 20,472.87	A/P & Payroll	
OVERLAKE TOD	09/03/2020	\$ 30,085.29	A/P & Payroll	
Parkwood	09/03/2020	\$ 14,570.32	A/P & Payroll	
SOUTHWOOD SQUARE	09/03/2020	\$ 8,124.01	A/P & Payroll	
SOUTHWOOD SQUARE	09/03/2020	\$ 6,707.58	A/P & Payroll	
Timberwood	09/03/2020	\$ 17,246.90	A/P & Payroll	
Walnut Park	09/03/2020	\$ 14,938.70	A/P & Payroll	
WINDSOR HEIGHTS	09/03/2020	\$ 40,570.73	A/P & Payroll	
Woodridge Park	09/03/2020	\$ 35,201.73	A/P & Payroll	
Cottonwood	09/08/2020	\$ 15,711.84	A/P	
Cove East	09/08/2020	\$ 44,415.37	A/P	
Juanita View	09/08/2020	\$ 29,631.38	A/P	
Kirkland Heights	09/08/2020	\$ 52,927.56	A/P	
Bellepark	09/09/2020	\$ 11,082.72	A/P & Payroll	
Hampton Greens	09/09/2020	\$ 45,149.80	A/P & Payroll	
Kendall Ridge	09/09/2020	\$ 36,829.81	A/P & Payroll	
Landmark	09/09/2020	\$ 15,402.65	A/P & Payroll	
Riverstone	09/09/2020	\$ 39,295.02	A/P & Payroll	
Woodside East	09/09/2020	\$ 16,610.01	A/P & Payroll	
ALPINE RIDGE	09/10/2020	\$ 3,373.59	A/P	
ARBOR HEIGHTS	09/10/2020	\$ 974.33	A/P	
Auburn Square	09/10/2020	\$ 5,512.56	A/P	
Carriage House	09/10/2020	\$ 12,925.26	A/P	
CASCADIAN	09/10/2020	\$ 4,481.69	A/P	
Colonial Gardens	09/10/2020	\$ 4,909.03	A/P	
FAIRWOOD	09/10/2020	\$ 17,322.32	A/P	
HERITAGE PARK	09/10/2020	\$ 14,377.31	A/P	
LAURELWOOD	09/10/2020	\$ 2,853.50	A/P	
Newporter	09/10/2020	\$ 4,055.49	A/P	
OVERLAKE TOD	09/10/2020	\$ 114,331.54	A/P	
Parkwood	09/10/2020	\$ 12,344.23	A/P	
RAINIER VIEW I	09/10/2020	\$ 11,194.26	A/P	
RAINIER VIEW II	09/10/2020	\$ 7,977.36	A/P	
SI VIEW	09/10/2020	\$ 2,756.38	A/P	
Timberwood	09/10/2020	\$ 4,573.33	A/P	
Vashon Terrace	09/10/2020	\$ 3,130.29	A/P	
Walnut Park	09/10/2020	\$ 40,726.15	A/P	
WINDSOR HEIGHTS	09/10/2020	\$ 63,939.79	A/P	
Woodridge Park	09/10/2020	\$ 94,135.27	A/P	
Aspen Ridge	09/11/2020	\$ 3,382.33	A/P	
Meadows	09/11/2020	\$ 5,768.65	A/P	
SOUTHWOOD SQUARE	09/14/2020	\$ 11,762.20	A/P	
Ballinger Commons	09/16/2020	\$ 206,494.80	A/P & Payroll	

Bellepark	09/16/2020	\$ 5,498.88	A/P	
Emerson	09/16/2020	\$ 91,251.39	A/P & Payroll	
GILMAN SQUARE	09/16/2020	\$ 20,521.40	A/P & Payroll	
Hampton Greens	09/16/2020	\$ 7,204.03	A/P	
Kendall Ridge	09/16/2020	\$ 86,943.91	A/P	
Landmark	09/16/2020	\$ 12,398.32	A/P	
Meadowbrook	09/16/2020	\$ 40,606.28	A/P & Payroll	
Riverstone	09/16/2020	\$ 10,977.49	A/P	
Villages at South Station	09/16/2020	\$ 79,096.34	A/P & Payroll	
Woodside East	09/16/2020	\$ 17,571.23	A/P	
ALPINE RIDGE	09/17/2020	\$ 3,709.48	A/P & Payroll	
ARBOR HEIGHTS	09/17/2020	\$ 18,356.33	A/P & Payroll	
Aspen Ridge	09/17/2020	\$ 6,370.90	A/P & Payroll	
Auburn Square	09/17/2020	\$ 22,241.12	A/P & Payroll	
Carriage House	09/17/2020	\$ 27,453.15	A/P & Payroll	
CASCADIAN	09/17/2020	\$ 19,552.28	A/P & Payroll	
Colonial Gardens	09/17/2020	\$ 4,244.45	A/P & Payroll	
FAIRWOOD	09/17/2020	\$ 17,948.31	A/P & Payroll	
HERITAGE PARK	09/17/2020	\$ 7,228.64	A/P & Payroll	
LAURELWOOD	09/17/2020	\$ 13,353.90	A/P & Payroll	
Meadows	09/17/2020	\$ 12,388.78	A/P & Payroll	
Newporter	09/17/2020	\$ 12,581.04	A/P & Payroll	
OVERLAKE TOD	09/17/2020	\$ 45,242.17	A/P & Payroll	
Parkwood	09/17/2020	\$ 21,952.80	A/P & Payroll	
RAINIER VIEW I	09/17/2020	\$ 11,295.24	A/P	
RAINIER VIEW II	09/17/2020	\$ 7,536.88	A/P	
SI VIEW	09/17/2020	\$ 6,947.98	A/P	
SOUTHWOOD SQUARE	09/17/2020	\$ 9,559.17	A/P & Payroll	
Timberwood	09/17/2020	\$ 54,140.17	A/P & Payroll	
Vashon Terrace	09/17/2020	\$ 8,411.29	A/P & Payroll	
Walnut Park	09/17/2020	\$ 22,371.01	A/P & Payroll	
WINDSOR HEIGHTS	09/17/2020	\$ 30,823.08	A/P & Payroll	
Woodridge Park	09/17/2020	\$ 29,593.79	A/P & Payroll	
Bellepark	09/23/2020	\$ 19,393.28	A/P & Payroll	
Cottonwood	09/23/2020	\$ 21,403.13	A/P & Payroll	
Cove East	09/23/2020	\$ 20,768.82	A/P & Payroll	
Hampton Greens	09/23/2020	\$ 134,454.21	A/P & Payroll	
Juanita View	09/23/2020	\$ 19,759.07	A/P	
Kendall Ridge	09/23/2020	\$ 76,564.35	A/P & Payroll	
Kirkland Heights	09/23/2020	\$ 42,677.43	A/P	
Landmark	09/23/2020	\$ 69,748.39	A/P & Payroll	
Riverstone	09/23/2020	\$ 33,328.52	A/P & Payroll	
Tall Cedars	09/23/2020	\$ 5,211.25	A/P	
Woodside East	09/23/2020	\$ 97,354.06	A/P & Payroll	
ALPINE RIDGE	09/24/2020	\$ 1,455.77	A/P	
ARBOR HEIGHTS	09/24/2020	\$ 3,918.42	A/P	
Aspen Ridge	09/24/2020	\$ 22,159.98	A/P	
Auburn Square	09/24/2020	\$ 37,474.35	A/P	
Carriage House	09/24/2020	\$ 16,104.20	A/P	
CASCADIAN	09/24/2020	\$ 8,535.92	A/P	
Colonial Gardens	09/24/2020	\$ 25,608.24	A/P	
FAIRWOOD	09/24/2020	\$ 21,012.42	A/P	
HERITAGE PARK	09/24/2020	\$ 5,605.14	A/P	
LAURELWOOD	09/24/2020	\$ 6,254.33	A/P	
Meadows	09/24/2020	\$ 9,619.55	A/P	
Newporter	09/24/2020	\$ 5,727.40	A/P	
OVERLAKE TOD	09/24/2020	\$ 53,189.31	A/P	
Parkwood	09/24/2020	\$ 5,278.04	A/P	
SI VIEW	09/24/2020	\$ 4,032.19	A/P	
SOUTHWOOD SQUARE	09/24/2020	\$ 14,346.94	A/P	
Timberwood	09/24/2020	\$ 58,906.28	A/P	
Vashon Terrace	09/24/2020	\$ 1,271.53	A/P	
Walnut Park	09/24/2020	\$ 5,236.84	A/P	
WINDSOR HEIGHTS	09/24/2020	\$ 3,227.93	A/P	
Woodridge Park	09/24/2020	\$ 10,342.65	A/P	
Ballinger Commons	09/30/2020	\$ 132,436.53	A/P & Payroll	
Bellepark	09/30/2020	\$ 34,767.45	A/P	
Emerson	09/30/2020	\$ 56,153.34	A/P & Payroll	
GILMAN SQUARE	09/30/2020	\$ 99,810.57	A/P & Payroll	
Hampton Greens	09/30/2020	\$ 21,954.73	A/P	
Landmark	09/30/2020	\$ 14,336.80	A/P	
Meadowbrook	09/30/2020	\$ 29,931.48	A/P & Payroll	
Riverstone	09/30/2020	\$ 73,811.41	A/P	
Villages at South Station	09/30/2020	\$ 40,166.87	A/P & Payroll	
Woodside East	09/30/2020	\$ 10,170.00	A/P	

139 Wires	\$	3,803,898.63
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T A B N U M B E R

3



To: Board of Commissioners

From: John Eliason, Development Director

Date: November 16, 2020

Re: **Resolution No. 5667: Authorizing Sale and Disposition of Greenbridge Division 8 to Conner Homes at Greenbridge 8, LLC**

Resolution 5667 authorizes the Executive Director to enter into a purchase and sale agreement for Greenbridge Division 8 to Conner Homes at Greenbridge 8, LLC (an affiliate of Conner Homes) for the construction of 107 single family homes, 6 parks, and related roadway and utility infrastructure at Greenbridge. The proposed purchase price is \$21,400,000. The sale of sewer credits and anticipated profit participation proceeds are expected to generate additional revenue for the Housing Authority.

The Greenbridge Division 8 property consists of 18.2 acres and is bound by Roxbury on the north, 4th Avenue SW on the east, 6th Avenue SW on the west and SW 102nd on the south. Cornerstone Park, located on the northeast corner, includes a trail, entry signage, 4 preserved trees, landscaping, lighting and a bus stop shelter.

As described in detail at the August 17, 2020 Board of Commissioner's meeting, the Division 8 property was placed on the market on July 30, 2020. On October 15, 2020, KCHA received 6 offers from top builders in the region. Conner Homes, Richmond American Homes, Pulte, Toll Brothers, Azure NW, and Quadrant Homes submitted offers. After review of the offers, and interviews for the short list of the top two offers, KCHA staff found the Conner Homes' offer to be the most responsive. The Conner Homes' proposal reflected the highest price, showcased a highly qualified team and provided the most variety in home designs coupled with an over-all site design and character that best matched KCHA's vision for the community.

Development of this parcel will substantially complete the build-out of Greenbridge with the exception of the parcel designated for midrise construction on the corner of Roxbury and 4th Avenue.

As required by HUD, an independent appraisal was conducted. The appraisal was performed by Kidder Matthews on October 9, 2020. The appraised value for the property is \$11,600,000. Staff believe the increase in the sales price over the appraised value reflects the high level of demand currently for land for new construction homes as well as the value created on site by engineering, design, permitting, pre-negotiated developer extension agreements and recorded plat work by KCHA's land development team prior to sale.

Conner Homes has a 60 year reputation as a high quality Northwest homebuilder with extensive land development and home building experience including two successful new construction communities at Greenbridge, Windrose and Materra.

Sales proceeds will be restricted to use for the development or preservation of affordable housing for low income households or other associated uses approved by HUD.

Staff recommends approval of Resolution 5667.



16-LOT TYPE 'C'

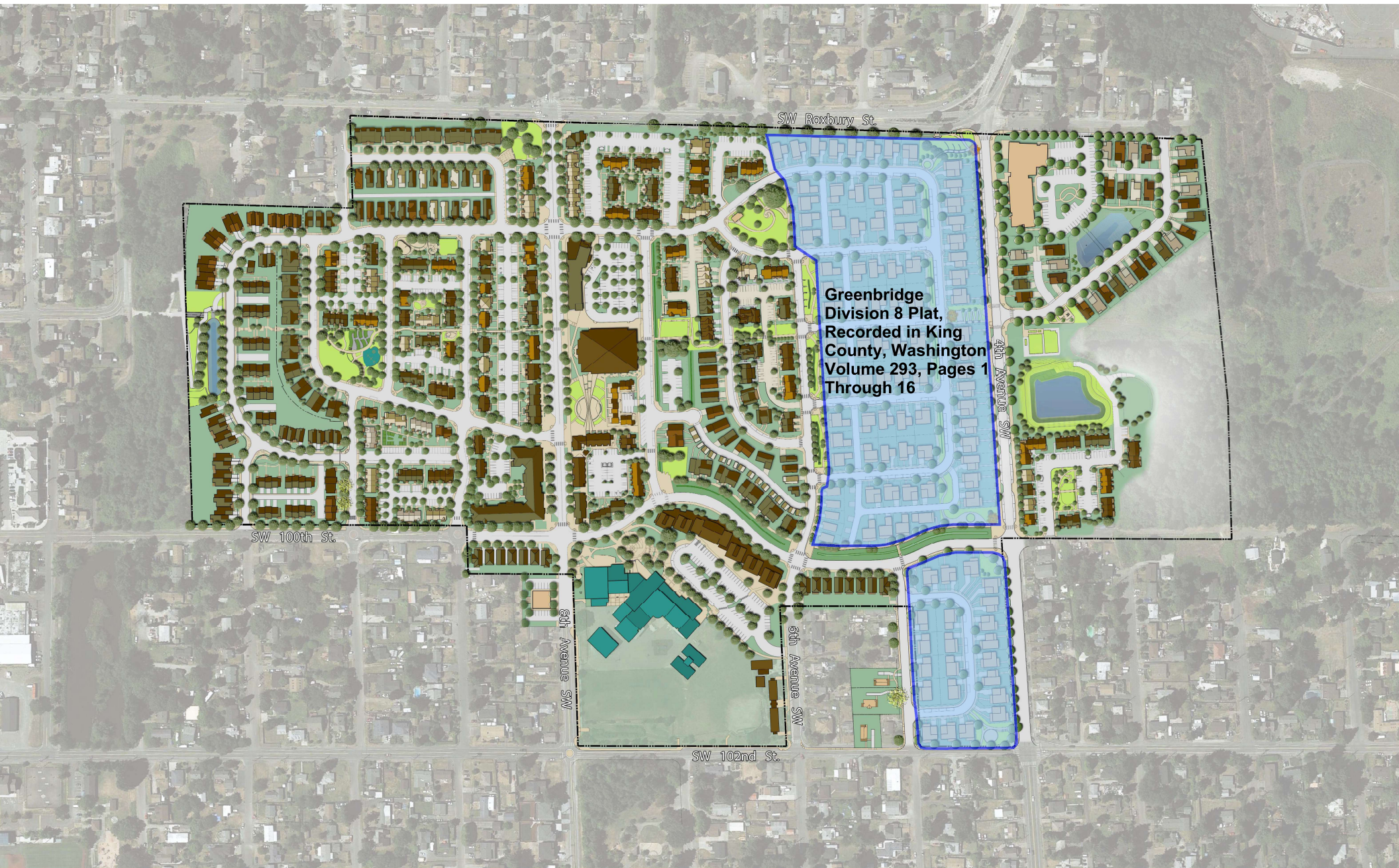
15

14

GREENBRIDGE- LOTS 14-16

NASH ASSOCIATES
ARCHITECTS
300 HUNTERS AVENUE, S.W.
ALBUQUERQUE, NM 87102
(505) 263-1111





THE HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5667

**AUTHORIZING THE DISPOSITION OF GREENBRIDGE DIVISION 8 PROPERTY BY
NEGOTIATED SALE TO CONNER HOMES AT GREENBRIDGE 8 LLC AND/OR ANOTHER
AFFILIATE OF CONNER HOMES**

WHEREAS, one objective of the King County Housing Authority’s Greenbridge HOPE VI project in White Center is the provision of up to 400 new home ownership opportunities in the community; and,

WHEREAS, the legal description of the property proposed to be disposed of is: Greenbridge Division 8 according to the Plat thereof, recorded in Volume 293 of Plats, Pages 1 through 16, inclusive, records of King County, Washington except Tract P-812. The property is approximately 18.2 acres. The property is defined in this resolution as “Greenbridge Division 8”; and,

WHEREAS, KCHA has provided utility service to the property boundaries of Greenbridge Division 8. KCHA has also platted and obtained permits and developer extensions needed to begin infrastructure construction at Greenbridge Division 8; and,

WHEREAS, KCHA has offered Greenbridge Division 8 for sale through an open public offering to developers and builders of market rate for-sale housing; and,

WHEREAS, Conner Homes has submitted an offer to purchase the Greenbridge Division 8 property pursuant to the open public offering which has been determined to be the most responsive offer; and,

WHEREAS, Conner Homes, through an affiliated LLC, has made an offer to purchase the Greenbridge Division 8 property pursuant to the open public offering for a sales price of \$21,400,000; and,

WHEREAS, Conner Homes has a successful record of developing land and building new homes in communities in the Puget Sound region for over 60 years;

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

Section 1: Executive Director, or his designee, is hereby authorized to execute a purchase and sale agreement with Conner Homes at Greenbridge 8 LLC and/or another affiliate of Conner Homes, to sell and dispose of Greenbridge Division 8 property for \$21,400,000.00 HUD restricted proceeds from this sale will be used to offset land development and carrying costs associated with the “for sale” land parcels at Greenbridge and other uses as may be approved by HUD. The Executive Director, or his designee, is authorized to adjust the price by an amount of up to 10% to account for unknown or unforeseen conditions.

Section 2: The Executive Director, or his designee, is authorized, in his discretion to negotiate the specific provisions of the Purchase and Sale Agreement, provided that the Executive Director, or his designee, shall not authorize changes to the Purchase and Sale Agreement that would materially interfere with KCHA’s objective for homeownership as set forth in the HOPE VI Revitalization Plan or its amendments.

**ADOPTED AT A MEETING OF THE BOARD OF COMMISSIONERS OF THE
HOUSING AUTHORITY OF THE COUNTY OF KING AT AN OPEN PUBLIC MEETING
THIS 16TH DAY OF NOVEMBER, 2020.**

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

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. 5667 (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 16, 2020 (the “Meeting”), and duly recorded in the minute books of the Authority;

2. That in accordance with RCW 43.06.220, and the Proclamations of the Governor of the State of Washington, as extended by the leadership of the Washington State Senate and House of Representatives (a) the Meeting was not conducted in person, (b) one or more options were provided for the public to attend the Meeting remotely, including by telephone access, which mean(s) of access provided the ability for all persons attending the Meeting remotely to hear each other at the same time, and (c) adoption of the Resolution is necessary and routine action of the Board of Commissioners of the Authority;

3. The public was notified of access options for remote participation in the Meeting via the Authority’s website and email to stakeholders; and

4. The 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 the Meeting was given; that a quorum was present throughout the Meeting through telephonic and/or internet means of remote access, 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 16th day of November, 2020.

Stephen J. Norman

Executive Director and Secretary-Treasurer

T A B N U M B E R



To: Board of Commissioners

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

Date: November 16, 2020

Re: **Resolution No. 5668:** A Resolution authorizing the acquisition of the Pinewood Village Apartments.

Resolution No. 5668 authorizes the Housing Authority to negotiate and enter into a purchase agreement for Pinewood Village, an apartment complex located in Bellevue at 14911 NE 1st Place.

Pinewood Village was built in 1982 and consists of eight building with 108 studio, one and two bedroom apartments. The property is located in central Bellevue along 148th Avenue 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. This property would be added to our workforce housing portfolio.

A full Project Profile is attached which outlines the strategic rationale for the acquisition, description of the property, proposed financing plan and analysis of the risks and risk mitigations associated with the transaction. Staff will provide an overview of the project and proposed transaction at the November Board of Commissioner's meeting.

Staff recommends approval of Resolution 5668.

Pinewood Village Apartments Project Profile

Pinewood Village Apartments is a 108-unit multifamily transit-oriented development (TOD) apartment community located in central Bellevue. Built in 1982, the development consists of nine 3-story buildings located on one parcel (12 studios, 36 one-bedroom units with 1 bath, 24 two-bedroom units with 1 bath, and 36 two-bedroom units with two baths), a leasing office/clubhouse building, swimming pool, play areas and sports court. KCHA is in the process of performing pre-acquisition due diligence including title review, survey and physical investigation of the condition of the land and buildings.

Purchase Status

The current owner, Pinewood Village L.L.C., has owned and managed the property for almost 30 years.

The terms of the proposed purchase and sale agreement contemplates a sales price of \$38,000,000 (\$351,852/unit) and provides for a due diligence inspection window through December 10, 2020. During this period, KCHA will complete a thorough review of title, environmental, physical condition and overall feasibility of the project. An earnest money deposit of \$500,000 will be deposited into escrow within three days of mutual execution of a purchase and sale agreement and another \$500,000 will be posted upon waiving contingencies. The closing date is scheduled for mid-December with an outside closing date of December 31st.

Due Diligence Status

KCHA is completing an appraisal, capital needs assessment, Phase I environmental assessment, zoning and title review and will receive a survey from third party consultants. All of the due diligence inspections and resulting reports are expected to be received and reviewed by the first week of December to provide ample time to address any concerns that have been identified prior to the contingency waiver date.

Property Description

Pinewood Village is a residential development located at 14911 NE 1st Place in Bellevue on one 8.48 acre parcel. The property was built in 1982 for multifamily residential use, consistent with current zoning. It has been operated as a rental apartment complex since its inception.

The property consists of nine multi-family buildings with a leasing office/fitness center, outdoor playground, swimming pool, sports court, mature landscaping and Kelsey Creek as a centerpiece of the property's park like setting. The wood frame buildings are three-story garden style structures with pitched roofs. The majority of the units have been retrofitted with washers and dryers and there are on-site central laundry rooms for the remaining units. The buildings provide extra storage for the tenants. There are 70 open and 108 covered parking spaces, with a parking ratio of 1.65 spaces per unit.

There are currently approximately fifteen vacant units at the property, a relatively high number for a property of this size in this location, which the management attributes to a large number of their higher income residents moving out to buy houses in the current record low interest rate

environment, and to slower than normal prospective renter traffic attributable to the Covid 19 pandemic. While initial site walks of the property suggest the property is in generally good condition and well maintained for its age, KCHA's Asset Management and Capital Construction staff, along with third party consultants, will perform inspections of all the buildings, including interior inspections of residential units. For the safety of staff and existing residents, the interior inspections will cover the vacant units, with a few occupied units added only as necessary to ensure areas of potential concerns are identified. KCHA will use the resulting reports to determine the need for short-term repairs (repairs to be made within the first 12 months) and medium term repairs. Based on KCHA's history of acquiring and operating property similar to Pinewood Village, we estimate the short-term repairs to cost in the neighborhood of \$100,000 - 250,000 and medium-term repairs and improvements to cost between \$1 - \$1.5 million.

Unit Configuration

The unit mix includes:

- 12 studio units at 460 square feet each,
- 36 one-bedroom, one bath units at 625 square feet each,
- 24 two-bedroom, one bath units of approximately 855 square feet, and
- 36 two-bedroom, two bath units of approximately 924 feet.

It is worth noting that the unit sizes listed above reflect the unit square footage listed on the King County Assessor's website. The unit sizes listed on the property's website are slightly larger with studios at 475 sq. ft., one-bedrooms at 650 sq. ft., two-bedroom one-bath units at 960 sq. ft. and two-bedroom two-bath units at 1,025 sq. ft. Staff will confirm the actual unit sizes as part of its due diligence review.

Neighborhood Description

Pinewood Village is located in the Lake Hills neighborhood of Bellevue, near the northeast corner of Main Street and 148th Avenue. The property is accessed by two drive lanes, one off Main Street and another from 148th Avenue. Hopelink's central Bellevue office, which provides numerous services to low-income individuals and families including a small food bank is located immediately west of the Main Street entrance.

Pinewood Village has excellent access to public transportation, with Metro bus stops located at one half block east and west of the Main Street entrance, and a Metro Rapid Ride "B" Line, with frequent trips to downtown Bellevue and the Bellevue Transit Center, located one half mile north on 148th Avenue (see attached map). The property is also approximately three miles from the Bellevue Transit Center and the Overlake Transit Center, with rapid connections to Redmond, Kirkland and Seattle.

Pinewood Village is directly across Main Street from the Kelsey Creek Center which is a large full service shopping center with a Walmart grocery store and a variety of restaurants and other storefront retail businesses. The site is about one mile southwest of the Crossroads Shopping Center and a half-mile north of Lake Hills Greenbelt. The site is surrounded by other grocery stores, restaurants, schools, churches and recreational amenities, including Kelsey Creek Park, Bellevue Aquatic Center and Larson Lake Blueberry Farm, all located within a mile of the property.

Pinewood Village is within the Bellevue School District, frequently acknowledged as one of the finest in Washington State. Local schools for the children living within the property include Phantom Lake Elementary School, Odle Middle School and Sammamish High School.

Pinewood Village is surrounded by other residential condominiums and rental developments, including properties owned by KCHA, including but not limited to the Workforce Housing complexes of Highland Village, Kendall Ridge and Cascadian and the public housing sites of College Place, Eastside Terrace and Spiritwood Manor. It is also in close proximity to major Eastside employers including Amazon, Nintendo and Microsoft.

Strategic Rationale for Acquisition

Pinewood Village is located in a high opportunity community, defined by King County as a “community where households have access to good schools, transportation and economic opportunities to promote upward mobility.”

KCHA’s Board of Commissioners has identified the preservation of affordable housing in high opportunity areas near or adjacent to transit as a priority in order to address a shortage of affordable housing with easy access to reliable public transportation in these communities. The central location of the property strategically positions it to provide easy and convenient transportation within Bellevue and to the larger region as well.

Multifamily housing located in high opportunity areas with convenient access to transit and near expanding job centers has experienced continued rent escalation as demand for these locations grows. This is especially acute for existing properties whose rents have been relatively affordable relative to new construction in the same general location. Pinewood Village, while operating as a market rate apartment complex, currently provides housing generally affordable to households at or below 80% of the Area Median Income (AMI). Preservation of existing naturally occurring affordable housing is a key strategy for ensuring that, over the long-term, rents within these communities do not continue to escalate to the point they are no longer affordable and existing residents are displaced. With Amazon’s announcement to locate up to 25,000 employees on the Eastside, the need to acquire and preserve this housing resource is necessary now more than ever in order to protect the dwindling supply of affordable housing.

Proposed Financing

Interim Financing – KCHA intends to draw on its existing line of credit with KeyBank for interim acquisition financing. The current indicative rate of interest rate is approximately 1.5% although this rate is variable and changes as the benchmark index increases or decreases.

Permanent Financing – KCHA has a number of different options for the permanent financing of the development. Similar to other recent acquisitions, the net rental income generated by the operations of the property can only support financing for approximately 50% - 70% of the purchase price (depending on the structure of the transaction).

The four most likely permanent financing scenarios include:

- 1) A public sale of government purpose housing bonds in the full amount of the interim financing backed by a general revenue pledge of KCHA. The assumed terms would be 30 year amortization at 3% interest with a 20-year maturity. (\$550,000 - \$600,000/yr. carry cost to KCHA)
- 2) A public sale of the amount of governmental purpose housing bonds that can be supported directly by the net rental revenues of the property (approximately \$27 million) and the balance of the interim loan supported through a refinancing of KCHA’s KeyBank 2013 Pool (\$65,000,000 current balance, at a 3.57% annual interest rate) By re-amortizing the pooled debt at a lower interest rate, the savings in debt service is expected to cover most all of the negative cash flow from Pinewood Village, resulting in no net carry cost to KCHA. The new debt issuances for this scenario

are expected to have a 30 year amortization, a 20 year maturity and an interest rate of approximately 3%.

3) A public sale of the amount of governmental purpose housing bonds that can be supported directly by the net rental revenues of the property and the balance of the interim loan financed by a below market mezzanine loan from a public or private social investment source. The senior debt would have a 30 year amortization at 3% interest with a 20-year maturity. Mezzanine financing is assumed to have a 15-20 year term at 1% annual interest only. (Carry cost is estimated at \$0 - \$400,000 per year depending on the size of mezzanine loan able to be secured by KCHA)

4) A public sale of governmental purpose housing bonds in the full amount of the interim financing structured as an interest only loan for the first 10 years with the financing starting to amortize beginning in the 11th year. This scenario assumes a 3.25% interest rate with no principal payments in years 1 – 10 and 30 year amortization starting in year 11 – 20. Maturity at year 20. (There would initially be little or no current carry cost to KCHA although potential negative carry cost to KCHA may occur starting in year 11 when amortization of principal begins.)

The refinancing of the KeyBank 2013 pool will be proceeding in early to mid-2021, regardless of the ultimate financing strategy selected for Pinewood Village. Staff will continue to review these options, work with our bank, government and corporate partners, and make a determination as to the best long term financing strategy sometime in 2021.

It is important to note that all of the above financing structures would rely on KCHA's AA credit rating from Standards & Poor's. KCHA is reviewing the Pinewood Village, Oaks and Illahee transactions to assure that there is no negative impact on our S&P rating.

Sources & Uses

USES

Acquisition	\$38,000,000
Closing Costs	\$40,000
TOTAL	<u>\$38,040,000</u>

SOURCES

KeyBank Line of Credit	\$38,000,000
KCHA Cash	\$40,000
TOTAL	<u>\$38,040,000</u>

Risks & Mitigation

Acquisition Risks & Mitigation

- (Risk) The condition of the property has title defects unforeseen/unknown.
- (Mitigation) KCHA will obtain a full title report from a title insurance company insuring clean title with extended coverage.
- (Risk) KCHA overpays for the acquisition of the property.

- (Mitigation) KCHA will obtain an appraisal from a certified MAI appraiser to ensure the price KCHA ultimately pays for the property is within 105% of the appraised value.

Financing Risk & Mitigation

- (Risk) Short-term/Long-term interest rates spike.
- (Mitigation) While interest rates will fluctuate, KCHA expects to convert from short-term to long-term financing within 12 months. Current projected interest rate trends would suggest underwriting projections based on the assumptions outlined in the Proposed Financing section are reasonable. Current indicative rates are approximately 20 basis points less than the rates assumed in the projections. If interest rates rise significantly, KCHA can either absorb the additional carry cost (approximately \$3,200/month for every .1% increase in the interest rate) or structure the amortization over 35 to 40 years to reduce the principal payments in order to be able to absorb a higher interest rate without increasing the overall cost of the annual debt service.

Rehab Risk & Mitigation

- (Risk) Additional repair and improvement costs are needed beyond what is visible from due diligence inspections.
- (Mitigation) KCHA has completed its due diligence of the property. Staff estimates that of the \$1 to \$1.5 million in projected repairs and improvements, the property will require less than \$100,000 - \$250,000 in short-term repairs. The additional improvements can be made over the next 3 – 8 years without negatively impacting the physical viability of the property. On-going routine repairs and replacements can be paid for through net cash flow from property operations. Unforeseen repairs not able to be paid for from property operations could also be funded from additional draws on a KCHA line of credit or from KCHA reserves. KCHA has extensive experience in assessing this type of property and in undertaking needed repairs and upgrades.
- (Risk) Flooding from Kelsey Creek.
- (Mitigation) KCHA has reviewed flood plain maps available for Kelsey Creek. All of the existing buildings, while close, are located outside the footprint of the flooding. Current ownership who has owned the property for 30 years has indicated they have not had any flooding from Kelsey Creek that has come to the point of entering the units. KCHA's due diligence review will identify the units (which we believe to be few in number) that would most likely be impacted in the event of a major flood as well as the potential costs associated with such an event.

Balance Sheet Impact

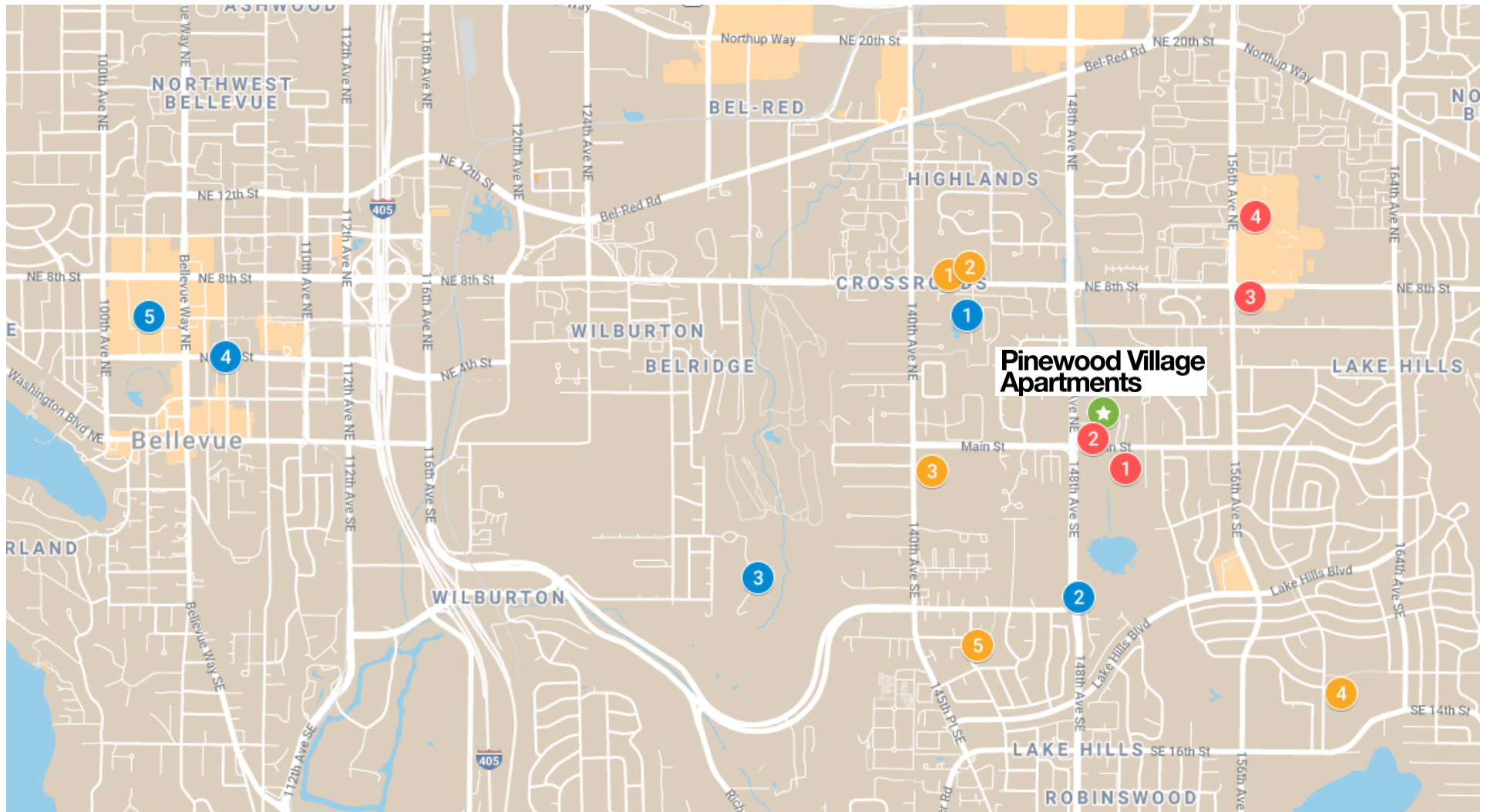
- (Risk) The additional debt service, as well as other contemplated acquisitions being discussed at his meeting, pushes KCHA's corporate coverage ("DSCR") below the 1.1 ratio required under existing debt covenants or jeopardizes KCHA's current Standard and Poor's rating.
- (Mitigation) While the additional debt will incrementally impact the debt service coverage ratio, KCHA DSCR remains significantly above the 1.1 required ratio and the additional debt is not expected to impact KCHA's ability to meet this covenant and sustain a municipal credit rating sufficient to market and sell the full amount of tax-exempt bonds contemplated under any of the financing scenarios discussed.

Pinewood Village





Pinewood Village



Attractions

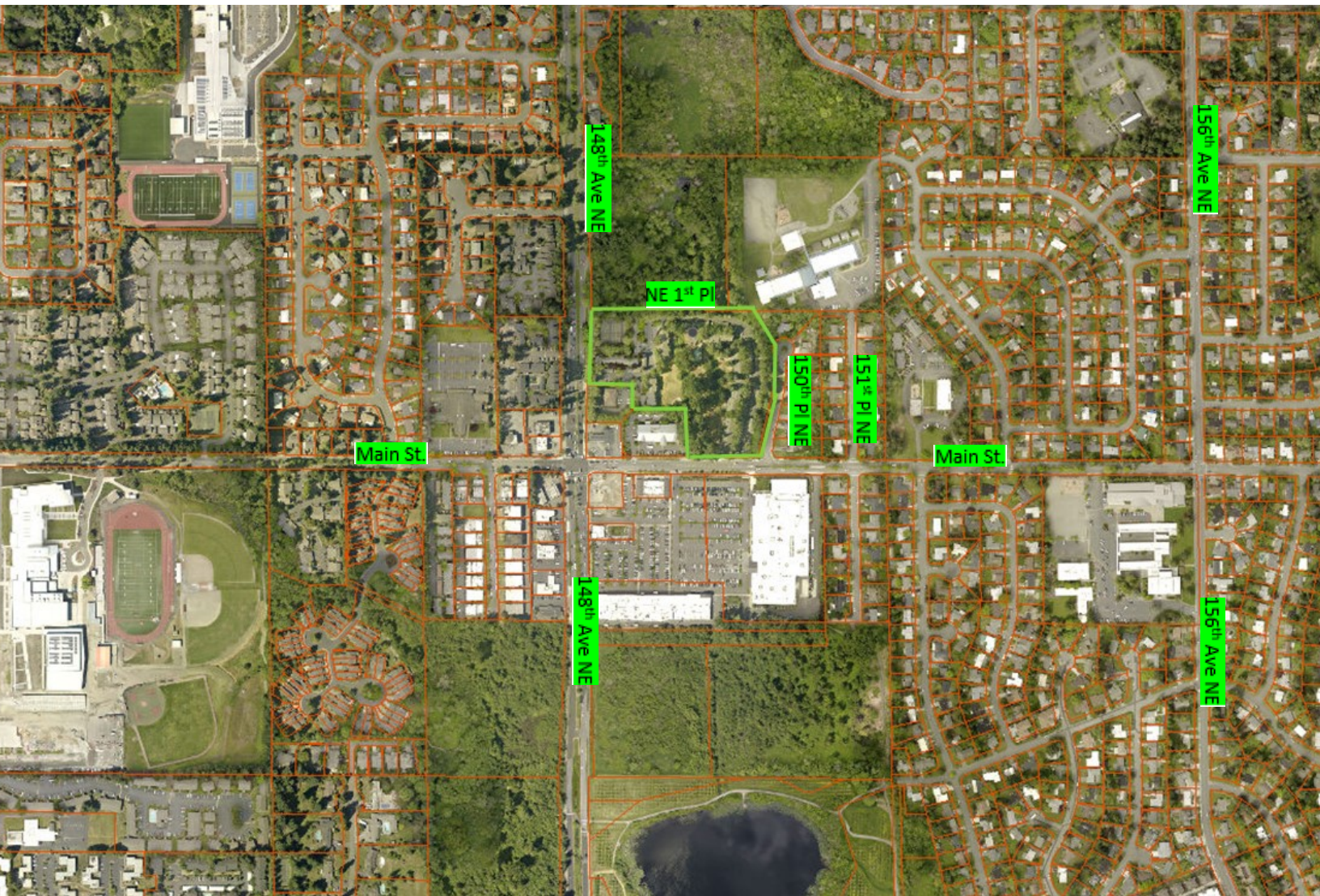
- 1 Bellevue Aquatic Center
- 2 Larsen Lake Blueberry Farm
- 3 Kelsey Creek Park
- 4 Downtown Bellevue
- 5 Bellevue Square

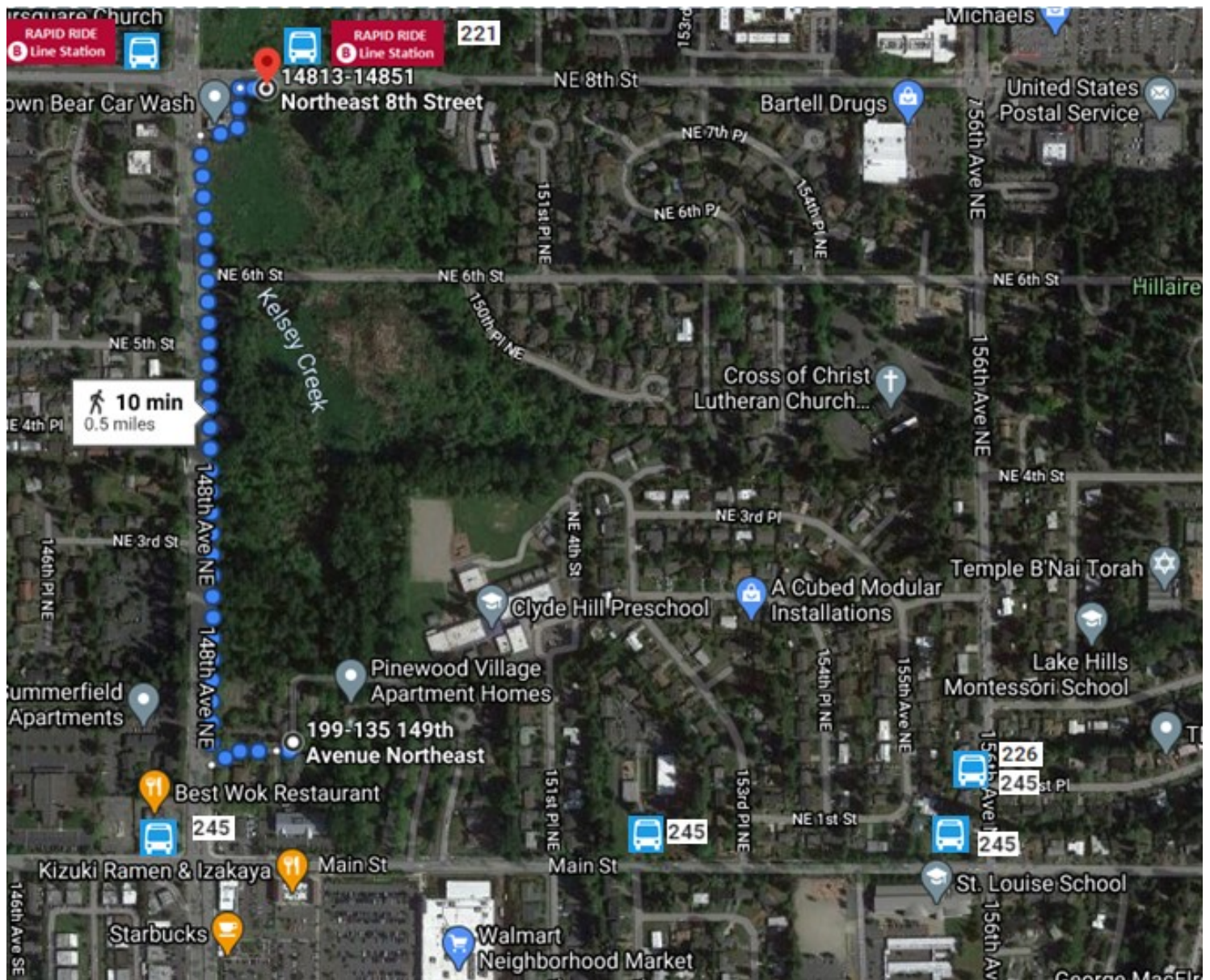
Schools

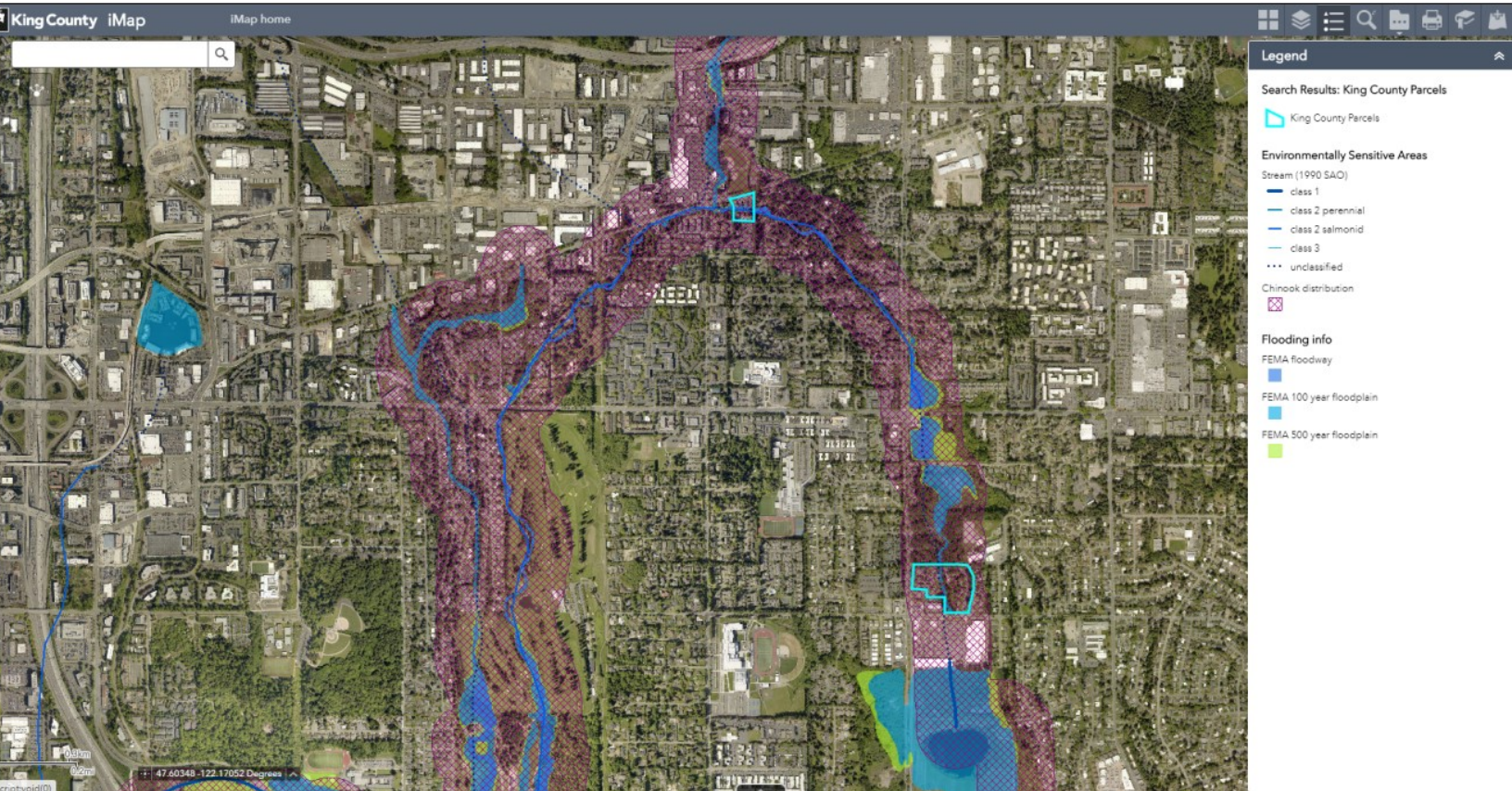
- 1 Montessori International School of Belle...
- 2 Stevenson Elementary School
- 3 Sammamish High School
- 4 Tillicum Middle School
- 5 Lake Hills Elementary School

Food & Resources

- 1 Walmart Neighborhood Market
- 2 Hopelink
- 3 Grocery Outlet
- 4 QFC









King County Parcels

Property Layers

Parcels



Environmentally Sensitive Areas

Stream (1990 SAO)

class 1

class 2 perennial

class 2 salmonid

class 3

*** unclassified

Chinook distribution



Flooding info

FEMA 100 year floodplain



THE HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5668

**A RESOLUTION AUTHORIZING ACQUISITION OF
PINWOOD VILLAGE APARTMENTS**

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, Pinewood Village Apartments (the “Property”) is a 108-unit apartment complex located at 14911 NE 1st Place, Bellevue, Washington, in an area of King County where rents are increasingly unaffordable to low-income households; and

WHEREAS, rents in high opportunity areas are expected to continue to escalate, making the Property increasingly less affordable to low income households; and

WHEREAS, there is a growing loss of affordable housing within transit corridors and around high capacity transit 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 high capacity mass transit 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 high opportunity, high and escalating rents, and good mass transit 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 make a final determination after reviewing the results of inspection of the Property as to whether to proceed with the purchase of the Property if he deems it in the best interest of the Housing Authority and the region's housing goals to do so. The Executive Director shall notify the Board of Commissioners in writing of the final determination he has made prior to final acquisition of the Property. If the Executive Director makes a final determination to proceed, the Board of Commissioners hereby further authorizes the Executive Director to take any and all actions necessary to acquire the Property, and authorizes, approves and/or ratifies the execution of a purchase and sale agreement at a price of no more than (a) Thirty Eight Million Dollars (\$38,000,000), or (b) 105% of the appraised value of the Property pursuant to an appraisal completed by a Washington State licensed MAI appraiser, whichever is less.

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 acquire the Property on 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 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 and financing 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 16TH DAY OF NOVEMBER,
2020.**

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

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. 5668 (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 16, 2020 (the "Meeting"), and duly recorded in the minute books of the Authority;
2. That in accordance with RCW 43.06.220, and the Proclamations of the Governor of the State of Washington, as extended by the leadership of the Washington State Senate and House of Representatives (a) the Meeting was not conducted in person, (b) one or more options were provided for the public to attend the Meeting remotely, including by telephone access, which mean(s) of access provided the ability for all persons attending the Meeting remotely to hear each other at the same time, and (c) adoption of the Resolution is necessary and routine action of the Board of Commissioners of the Authority;
3. The public was notified of access options for remote participation in the Meeting via the Authority's website and email to stakeholders; and
4. The 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 the Meeting was given; that a quorum was present throughout the Meeting through telephonic and/or internet means of remote access, 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 16th day of November, 2020.

Stephen J. Norman

Executive Director and Secretary-Treasurer

T A B N U M B E R

5



To: Board of Commissioners

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

Date: November 16, 2020

Re: **Resolution No. 5669:** A Resolution authorizing the acquisition of the Illahee Apartments.

Resolution No. 5669 authorizes the Housing Authority to negotiate and enter into a purchase agreement for Illahee Apartments, an apartment complex located in Bellevue at 14049 NE Bellevue-Redmond Road. The purpose of the acquisition is to preserve a long-term privately owned property with rents well below market so that the existing tenants will not otherwise be functionally displaced by a market rate investor who would rehab the property and raise rents by 20% - 30%. KCHA's acquisition of the site will also ensure housing opportunities for low, very-low and potentially extremely low-income households in Bellevue who are otherwise struggling finding an affordable place to live.

The Illahee Apartments were built in 1968 and consist of seven building with 36 one and two bedroom apartments. The property is located in the Bel-Red area of Bellevue on Bel-Red Road near 140th Avenue, which is an area of King County identified by KCHA as a high opportunity area having excellent access to schools, jobs and other amenities in addition to transit. Illahee Apartments is located on a bus-line and is approximately one mile from the planned 130th Street light rail station. A number of other Housing Authority-owned and managed properties are located near the site, affording KCHA's Housing Management team the ability to manage the site.

A full Project Profile is attached which outlines the strategic rationale for the acquisition, description of the property, proposed financing plan and analysis of the risks and risk mitigations associated with the transaction. Staff will provide an overview of the project and transaction at the November Board of Commissioner's meeting.

Staff recommends approval of Resolution 5669.

Illahee Apartments Project Profile

Illahee Creekside Apartments is a 36-unit multifamily transit-oriented development (TOD) apartment community located in the upcoming Bel-Red/Spring District corridor in Bellevue. Built in 1968, the development consists of seven 2-story buildings located on a single land parcel comprising 22 one-bedroom units with 1 bath, and 14 two-bedroom units with 1 bath, a leasing office and covered pavilion. KCHA is beginning pre-acquisition due diligence including title review, survey and physical investigation of the condition of the land and buildings.

Purchase Status

This property is currently owned by Illahee Apartments LLC. KCHA approached the ownership to discuss their interest in selling the property to KCHA subject to authorization from KCHA's Board of Commissioners, negotiation of specific terms of an agreement and satisfaction of the Executive Director with the results of KCHA's due diligence review. Following a series of discussions regarding the acquisition process, the ownership appears amenable to working through the details of a purchase by KCHA, provided the closing occur prior to the end of the 2020 calendar year.

The terms of the proposed purchase and sale agreement would include a sales price of approximately \$10,800,000 (\$300,000/unit) and would provide for a due diligence inspection window of thirty days from the mutual execution of a purchase and sale agreement in order for KCHA to complete a thorough review of title, environmental, physical condition and overall feasibility of the project. An earnest money deposit of \$250,000 will be paid into escrow within three days of signing the purchase agreement and an additional \$250,000 upon KCHA's waiving its contingencies to close. The closing date is scheduled to be on or before December 31, 2020.

Due Diligence Status

KCHA has ordered an appraisal, capital needs assessment, Phase I environmental assessment, zoning and title review and will receive an ALTA survey from third party consultants. KCHA will not proceed with the acquisition if the completed MAI appraisal does not reflect a valuation within 105% of the purchase price for the property. The property appears to be in average condition but results from the due diligence inspection reports will be further reviewed by KCHA staff prior to waiver of contingencies. Known issues include renovation by seller of a three unit building damaged by a recent fire, and the fact that a number of buildings/units are located within the 100-year flood plain area of Kelsey Creek.

Property Description & Building Condition

Illahee Apartments is a residential development located at 14049 NE Bellevue-Redmond Road in Bellevue on a single 2.07 acre parcel. The property was built in 1968 for multifamily residential use, consistent with current zoning. It has been operated as a rental apartment complex since that time.

The property consists of seven 2-story multi-family buildings with a leasing office, outdoor pavilion with a fire pit, a stream with grassy lawns running through the site, and mature landscaping. The wood frame buildings, totaling 35,017 square feet, are two-story garden style structures with pitched roofs. The buildings provide tenant storage and common laundry facilities with

approximately six units containing individual washer/dryers. There are 59 open parking spaces, with a parking ratio of 1.64 spaces per unit. One-bedroom units are approximately 780 sq. feet and two-bedroom units are about 890 sq. feet.

KCHA's Asset Management and Capital Construction staff, along with third party consultants, will perform inspections of all the buildings, including interior inspections of residential units. For the safety of staff and existing residents, the interior inspections will cover the vacant units, with a few occupied units added as necessary to ensure the unit sample is representative. Based on the resulting reports, KCHA will determine the need for short-term repairs (repairs to be made within the first 12 months). Based on KCHA's experience with similar buildings, short term repairs are expected to cost in the neighborhood of \$250,000 and medium-term repairs and improvements are expected to cost between \$3 - \$5 million (\$83,000 – \$139,000 per unit) due to the property's age and condition.

Unit Configuration

The unit mix includes:

- 22 one-bedroom, one bath units at 780 square feet each,
- 14 two-bedroom, one bath units of approximately 890 square feet.

Neighborhood Description

Illahee Apartments is located near the southeast corner of Bel-Red Road and 140th Avenue, across from the Highland Community Center and Park. The property is accessed by a single common drive lane from Bel-Red Road that is shared with a handful of commercial businesses. Directly across the street next to the park is the Bellevue Family YMCA. The site has easy access to downtown Bellevue via Metro Bus 226 which stops just outside the common drive lane.

The site sits about two miles from the Crossroads Shopping Center and three miles from Bellevue Square, and is near many other grocery stores, restaurants, schools, churches and recreational amenities located in the Bel-Red area. The Bellevue Aquatic Center and Larson Lake Blueberry Farm and recreational area are located within a mile of the property.

The new Bel-Red light rail station coming in 2023 will be located ten blocks east of the site at 130th and Bel-Red Road, connecting residents to downtown Redmond and two transit centers which will allow rapid access to Seattle and other points around the region.

Illahee Apartments is within the Bellevue School District. Local schools for the children living within the property include Stevenson Elementary School, Highland Middle School and Odle Middle School, and Interlake High School.

Illahee is located near other residential condominiums and rental developments, including properties KCHA's Highland Village, Kendall Ridge and Cascadian Workforce Housing properties and the College Place, Eastside Terrace and Spiritwood public housing sites.

The complex is in close proximity to major Eastside employers including Amazon, Facebook, Microsoft and Google, as well as employers such as Fred Meyer, Safeway, Starbucks and Whole Foods.

Strategic Rationale for Acquisition

Illahee is located in a high opportunity community, defined by King County as a “community where households have access to good schools, transportation and economic opportunities to promote upward mobility.”

KCHA’s Board of Commissioners has identified the preservation and development of additional affordable housing in high opportunity areas near or adjacent to transit (transit-oriented development or “TOD”) as a priority in order to address a shortage of affordable housing with easy access to reliable public transportation. The central location of the property strategically positions it to provide easy and convenient transportation within Bellevue and to the larger region as well.

Much like the nearby Highland Village Apartments that KCHA acquired in 2016, the Illahee has some of the lowest non-subsidized rents in Bellevue and is home to many lower income families and individuals. If sold to a private investor, the Illahee would be cosmetically upgraded and rents could be increased by as much as \$550 per month displacing most of the current residents not only from the property but most likely from the Eastside as well. With Amazon’s announcement to locate up to 25,000 employees on the Eastside, the need to acquire and preserve this housing resource, and protect the tenancies of existing residents, has become even more critical.

Due to its relatively small size (36 units) and many low income families in residence, the Illahee is a good candidate for conversion to public housing using KCHA’s “banked” operating subsidy. Also, the City of Bellevue has recently enacted a one tenth of one percent sales tax targeted to the preservation, development and operation of very low income housing. The acquisition of the Illahee and its conversion to public housing serving very low income households would be consistent with the City’s plans for the new funding source, making it an ideal candidate for City investment.

Proposed Financing

KCHA anticipates acquiring the Illahee with proceeds from Authority’s existing Key Bank line of credit. This is KCHA’s standard and preferred way to finance acquisitions. The line of credit will bear an approximate interest rate of 1.5% which is subject to change as the benchmark variable rate index increases or decreases.

There are several permanent financing structures KCHA is evaluating. These include:

- Equity Financing and conversion to public housing. This approach would use KCHA MTW reserves combined with City of Bellevue and possibly State of Washington Housing Trust Fund and/or corporate philanthropic funding. Banked public housing operating funds would be used for operations but cannot support debt, necessitating use of cash/equity sources of financing for both the acquisition and needed rehabilitation. This approach would be similar to that used in the acquisition of Island Crest on Mercer Island except that a substantial City of Bellevue investment would be expected. The activation of “banked” public housing subsidies would leverage some \$4.5 million in new federal rental support for extremely low income households residing in Bellevue over a 20 year period.
- Debt and tax credit financing. Similar to Highland Village, tax credit rents at 60% AMI would be used to leverage debt and tax credit equity. KCHA MTW reserves and City of Bellevue funding would likely also be needed. Due the project’s relatively small size, the

Illahee would have to be combined with another KCHA property needing substantial rehabilitation to efficiently attract tax credit investment.

- Financing a portion of the acquisition with KCHA reserves and City funding and the balance with debt. Rents would be kept near existing levels to serve the local low wage workforce. The mix of reserves and debt would be dependent of the targeted levels of affordability over time and the amount rehabilitation initially undertaken.

The benefits/challenges of each scenario are:

Activation of “banked” public housing subsidy: Allows tenants to pay 30% of their income for rent and have HUD subsidies pay the balance of the cost to operate the property. As a federally assisted property serving a very low income population, this approach would allow the use of KCHA MTW reserves and HUD restricted land sales proceeds from Seola Gardens and Greenbridge. The downside to this approach is that HUD operating subsidies do not cover any debt, so the cost of acquisition and any rehab must be paid with cash equity although there is a possibility that LIHTC’s could be combined with public housing subsidies to help cover rehab costs. Operating subsidy allocated by HUD may also not be sufficient to cover cost of operating the property, resulting in an on-going need for KCHA to cover any shortfall from the MTW block grant. Capital funds provided by HUD may not be sufficient to cover the cost of long-term repairs/replacements which would require KCHA to cover unfunded capital costs out of MTW reserves.

Tax Credit Acquisition and Rehabilitation: This approach could produce below market rents and potentially bring in a substantial source of equity not available in other scenarios. The challenge with this approach is that the small size of the property combined with the substantial financial, regulatory and project management burdens associated with tax credit financing make the approach very inefficient unless the Illahee is combined with another tax credit project. Access to 4% LIHTC credit is limited and timing for syndication and rehab would have to be slotted into KCHA’s existing pipeline of LIHTC projects.

Workforce housing: Would allow lower income workforce tenants to have access to housing at rents which are at the lower end of the rental rate spectrum for comparable housing in Bellevue (approximately \$1,300 for one bedroom units and \$1,500 for 2 bedroom units). The Net Operating Income would not be sufficient to leverage the amount of debt necessary to acquire and rehab the property, which would necessitate KCHA and potential local government and corporate funding partners making a significant level of equity investment into the property.

Under both the LIHTC and Workforce Housing scenarios, tenant or project-based Housing Choice Voucher holders could be served on-site. This would enable extremely low income households to access the site as well.

Sources & Uses

USES

Acquisition	\$10,800,000
Closing Costs	\$40,000
TOTAL	<u>\$10,840,000</u>

SOURCES

KeyBank Line of Credit	<u>\$10,800,000</u>
------------------------	---------------------

KCHA Cash	\$40,000
TOTAL	<u>\$10,840,000</u>

Risks & Mitigation

Acquisition Risks & Mitigation

- (Risk) The condition of the property has title or physical defects unforeseen/unknown.
- (Mitigation) KCHA will obtain a full title report from a title insurance company and will conduct extensive engineering and environmental due diligence on the property. KCHA will ensure that, upon closing, it is able to obtain a full owner's policy insuring clean title with extended coverage. KCHA will conduct a Phase 1 environmental assessment and an ALTA survey of the property to ensure that the due diligence does not raise any red flags.

Financing Risk & Mitigation

- (Risk) Short-term/Long-term interest rates spike.
- (Mitigation) While interest rates will fluctuate, the financial impact of fluctuation on short term rates would be negligible. The risk of changes in long-term interest rates would be mitigated by the likelihood that all or a significant portion of the acquisition cost of the project would not be financed but would instead be paid for with KCHA cash reserves or contributions by other funding partners.
- (Risk) External equity sources for acquisition and rehabilitation do not materialize, requiring substantial investment of KCHA reserves.
- (Mitigation) As much as \$15 million in sources may be needed to acquire and substantially rehabilitate the property. The conversion scenario to public housing serving very low income households opens the door for a substantial investment of City of Bellevue sales tax revenue and the justifiable use of MTW reserves in service of KCHA's core mission. The tax credit and workforce housing scenarios allow for the substitution of debt and tax credit equity in lieu of KCHA MTW reserve investment but would require higher rents and may not induce as much City of Bellevue investment. In all scenarios, the relatively small size of the property caps the amount of KCHA financial risk.

Rehab Risk & Mitigation

- (Risk) Additional repair and improvement costs are needed beyond what is visible from due diligence inspections.
- (Mitigation) KCHA has completed its due diligence of the property. Staff estimates that of the \$3 to \$5 million in projected repairs and improvements, the property will require less than \$250,000 in short-term repairs. The additional improvements can be made over the next 3 – 8 years without negatively impacting the physical viability of the property. On-going routine repairs and replacements can be paid for through net cash flow from property operations. Unforeseen repairs not able to be paid for from property operations could also be funded from additional draws on a KCHA line of credit or from KCHA reserves or the public housing capital budget. KCHA has extensive experience in assessing this type of property and in undertaking needed repairs and upgrades. KCHA is currently concluding a risk assessment regarding potential flooding issues relating to Kelsey Creek.



illahee

illahee

36-UNIT APARTMENT COMMUNITY IN BELLEVUE, WA





EXECUTIVE HIGHLIGHTS



36 APARTMENT HOMES



LOW DENSITY, GARDEN-STYLE COMMUNITY
With serene park-like setting and creek



VALUE-ADD OPPORTUNITY



STRONG DEMOGRAPHICS
With average household income of \$154,671 within 3 miles



LESS THAN ONE MILE TO FUTURE LIGHT RAIL STATION
Service commencing in 2023



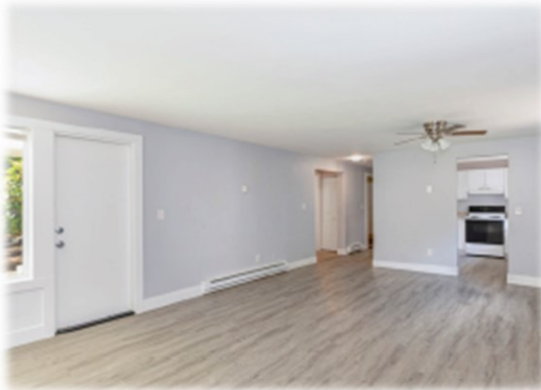
5 MINUTES
From downtown Bellevue



CLOSE PROXIMITY TO MAJOR EASTSIDE EMPLOYERS:
Facebook, Amazon, Google, Microsoft, and others



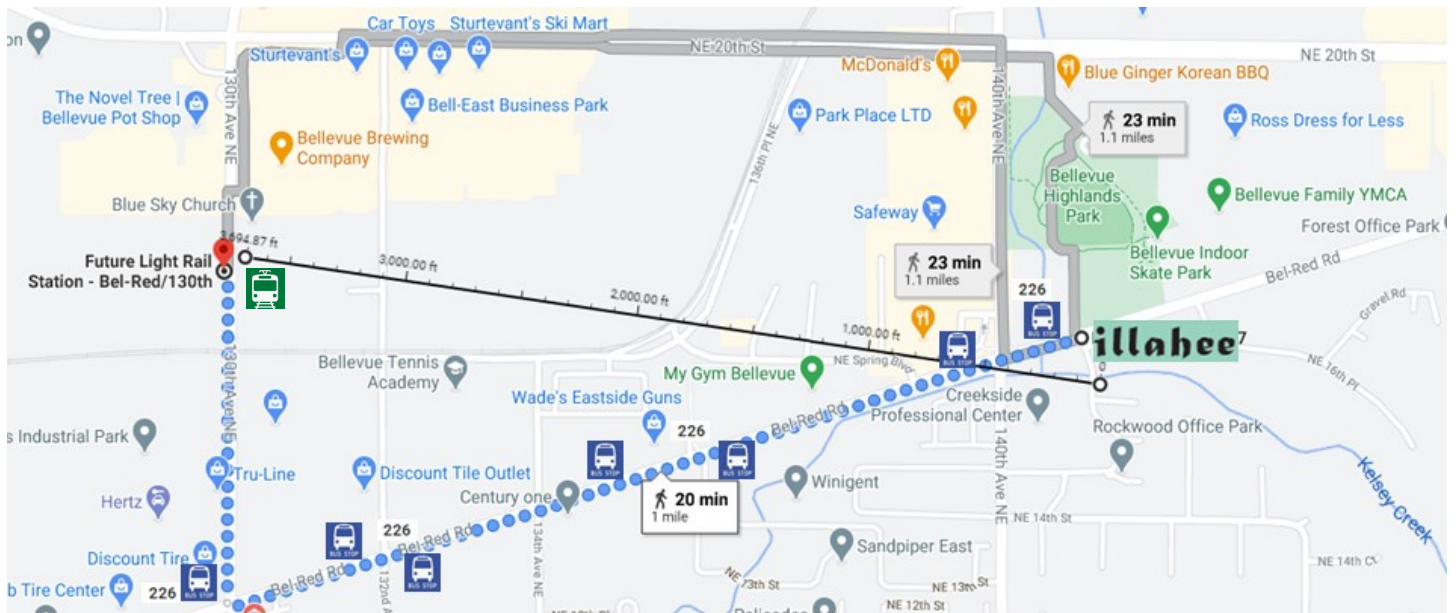
WALK SCORE OF 83+
With potential increase due to incoming Light Rail

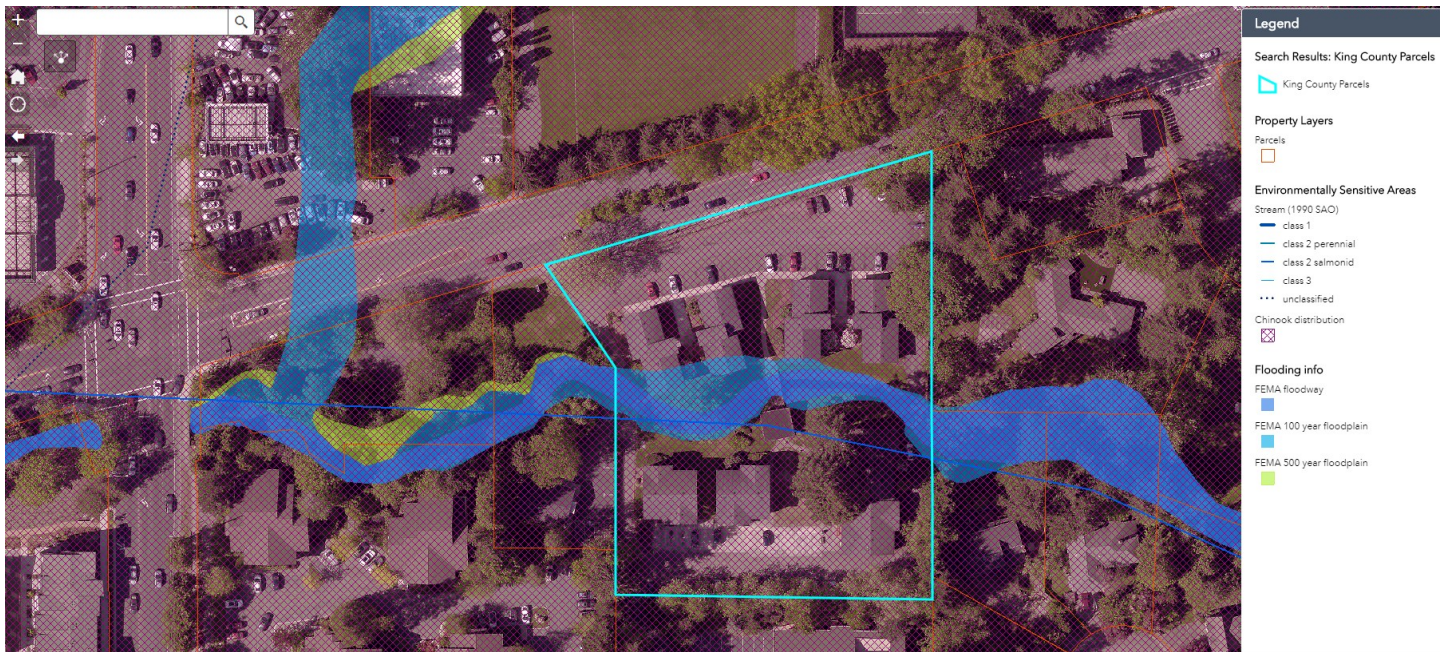




Attractions

- 1 Bellevue Aquatic Center
- 2 Kelsey Creek Park
- 3 Bellevue Botanical Garden
- 4 Downtown Bellevue





THE HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5669

**A RESOLUTION AUTHORIZING ACQUISITION OF
ILLAHEE APARTMENTS**

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, Illahee Apartments (the “Property”) is a 36-unit apartment complex located at 14049 Bel-Red Road, Bellevue, Washington, in an area of King County that has been identified by the Housing Authority as a ‘high opportunity area’ with excellent access to high-performing schools, good jobs and high capacity transit; and

WHEREAS, rents in high opportunity areas are expected to continue to escalate, making the Property increasingly less affordable to low income households; and

WHEREAS, the City of Bellevue has identified the need to preserve the diminishing amount privately owned affordable housing as a high priority of the City; and

WHEREAS, there is a growing loss of affordable housing within transit corridors and around high capacity transit 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 high capacity mass transit 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 acquiring land and constructing the same number of new housing units in a high opportunity area.

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 high and escalating rents and good mass transit access 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 make a final determination after reviewing the results of inspection of the Property as to whether to proceed with the purchase of the Property if he deems it in the best interest of the Housing Authority and the region's housing goals to do so. The Executive Director shall notify the Board of Commissioners in writing of the final determination he has made prior to final acquisition of the Property. If the Executive Director makes a final determination to proceed, the Board of Commissioners

hereby further authorizes the Executive Director to take any and all actions necessary to acquire the Property, and authorizes, the Executive Director, Stephen J. Norman to attempt to acquire the Property through negotiation and purchase in lieu of condemnation at a price anticipated to be approximately Ten Million Eight Hundred Dollars (\$10,800,000), 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 acquire the Property on 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 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 and financing 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 16TH DAY OF NOVEMBER,
2020.**

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

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. 5669 (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 16, 2020 (the "Meeting"), and duly recorded in the minute books of the Authority;
2. That in accordance with RCW 43.06.220, and the Proclamations of the Governor of the State of Washington, as extended by the leadership of the Washington State Senate and House of Representatives (a) the Meeting was not conducted in person, (b) one or more options were provided for the public to attend the Meeting remotely, including by telephone access, which mean(s) of access provided the ability for all persons attending the Meeting remotely to hear each other at the same time, and (c) adoption of the Resolution is necessary and routine action of the Board of Commissioners of the Authority;
3. The public was notified of access options for remote participation in the Meeting via the Authority's website and email to stakeholders; and
4. The 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 the Meeting was given; that a quorum was present throughout the Meeting through telephonic and/or internet means of remote access, 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 16th day of November, 2020.

Stephen J. Norman

Executive Director and Secretary-Treasurer

T A B N U M B E R

6



TO: Board of Commissioners

FROM: Tim Walter

DATE: November 11, 2020

RE: **Resolution No. 5670** - Authorizing KCHA to acquire the Oaks at Forest Bay property in Shoreline

Resolution No. 5670 authorizes KCHA to acquire the Oaks at Forest Bay property located at 16357 Aurora Ave N. in the City of Shoreline.

At the August 2020 Board of Commissioners meeting, the Board adopted Resolution No. 5661 authorizing the Executive Director to enter into a purchase and sale agreement for the Oaks at Forest Bay Apartments (a copy of the cover memo and Resolution No. 5661 is attached).

Resolution No. 5661, in addition to authorizing entrance into a purchase and sale agreement, required the Executive Director to “report to the Board of Commissioners prior to the end of the inspection and feasibility period the results of the Authority’s due diligence investigations and provide a recommendation as to whether or not to waive any and all contingencies and to seek Board of Commissioner final approval to consummate the purchase of the property.” Staff has completed its inspections and feasibility due diligence of the site and recommends waiving all contingencies and approving the purchase of the property.

A complete Project Report reviewing the results of the feasibility assessment and inspection results is attached. There remain a considerable number of options as to the ultimate development path for this property. The report outlines a number of options and some of the potential issues involved with each. Despite these uncertainties, staff believes that this is a strategic site and that there is sufficient value in the property to recommend that we proceed at this time.

Staff recommends passage of Resolution No. 5670.

Oaks at Forest Bay Project Report

Due Diligence Status

KCHA has ordered and received a title report, an appraisal, a Phase I Environmental assessment and an ALTA survey from third party consultants. The Phase I assessment shows no environmental concerns other than the likelihood of a small underground oil tank that does not impact current operations but would need to be removed when the site is redeveloped. The appraisal reflects an appraised value in excess of the negotiated sale price, and ownership title has been reviewed and there are no unsatisfactory issues identified.

The site has been deemed to be in reasonable physical shape and satisfactory for short-term use of as a shelter. The long-term plan for the site involves the demolition of the current building. While the physical needs inspector identified items that could or should be repaired over time if the building was to remain in use, their report noted that “based on observation of site improvements, building exteriors, interior common areas, and a representative sampling of tenant areas, in general, the Subject was considered to be in Good to Fair condition overall, and exhibited wear and tear normal for its age and usage. The Subject appeared to have been adequately maintained over the years. The building appears to be structurally adequate with no obvious evidence of major structural failures, differential settlement or significant soil erosion.”

Property Description, Unit Mix & Building Condition

The Oaks at Forest Bay facility is approximately 36,500 square feet, originally built in 1953 as a nursing home, with periodic renovations since that time. The property is located at 16357 Aurora Ave. N (Highway 99), a major transit route from downtown Seattle through the north end. The structure is one-story, built with wood frame construction and sided with brick and painted wood. The roofs are pitched with composite shingles.

The building is comprised of two adjoining wings with 45 separate residential rooms. Each room was built to contain two beds. A portion, but not all of the rooms, have an adjoining half-bath and there are common bathroom and shower facilities co-located in each of the wings. In addition to the residential rooms, there is a secured access entry, office spaces, kitchen, multiple common areas and a full basement which is used for laundry, maintenance space and storage. The 45 residential rooms at the facility are each about 300 square feet in size.

The facility is located on a 2.66 acre, mostly rectangular parcel, with mature landscaping with irrigation, and two large enclosed outdoor courtyards. There appear to be approximately 50 surface parking spaces in front of the site, as well as an unpaved vacant area for overflow parking in the northwest corner of the site.

Neighborhood Description

The Oaks at Forest Bay is located on the southwest corner of Aurora Avenue and 165th Street. The Metro “E” Line bus stops on the street directly in front of the building entrance, providing regular access to downtown Seattle and areas north of the city. Aurora Avenue intersects the Meridian Park and Highland Terrace residential neighborhoods at 165th Street, with the Richmond Highlands Recreation Center located two blocks to the west and the Interurban Trail

located one block to the east. Aurora Avenue provides nearby access to services, grocery, health care as well as a number of retail establishments and Shoreline Community College is a 15-min walk to the east of the site.

The Aurora Avenue corridor has seen significant high density residential development over the last few years. The site is currently zoned R-48, but it is surrounded by parcels to the north, south and west, across Aurora, zoned as MB (“Mixed Business”), which would allow for significantly higher density with residential uses over retail.

Status of the City of Shoreline’s approval to use the site as a shelter

The City of Shoreline has expressed both the desire and need for new homeless shelter capacity in the City. However, despite the unique opportunity to utilize the Oaks property as a COVID-19 low density shelter given its ‘move-in ready’ prior use as an assisted living facility, complete with individual rooms, bathrooms, common areas, interior courtyard and other residential related facilities, there has been mixed support from the community regarding this specific location for a low barrier shelter.

There have been numerous community meetings and an outpouring of public comment both in support and against the site as a shelter at City Council meetings over the last two months.

Presently, the Council has supported, by a majority (but not unanimous) vote, approval for a temporary rezone of the property on the condition that there be a mutually agreed upon set of expectations regarding shelter operations that would be signed by the City, King County and shelter operator, Lake City Partners.

While approval by the Council paves the way for the property to be used as a shelter, there has been a legal challenge to the SEPA process and the SEPA determination of ‘no significant environmental impact.’ The filing of the legal challenge results in a delay in enacting the zoning change until the hearing examiner rules on the matter. The immediate impact of this filing is that the shelter will not be able to open until early 2021.

The eligibility requirements for the Washington State CARES Act funding that the County intends to use as the source of operational support for 30 months of shelter operations state that the shelter must begin operations by the end of 2020. In consequence, due to this delay, the state funding may no longer be available. This issue is still being worked out between the County and the State. Ultimately, if the state funding is not available, the County will need to determine how (and if) operations could be funded out of its own budget. If the hearing examiner upholds the current SEPA determination, shelter operations could open as early as January. If, however, the hearing examiner does not uphold the determination or requires the SEPA to be redone, that could delay even further any commencement of shelter operations. In addition, even if the determination is upheld, it is unclear whether there could or would be additional legal challenges intended to block the use of the site as a shelter.

For the reasons outlined above, there are a number of ‘unknowns’ related to both the ultimate use (and timing) of the site as a shelter and what the identified funding source for shelter operations will be. Unfortunately, it is also very likely neither of these issues will be resolved by the time the contingencies need to be waived per the purchase and sale agreement (December 1, 2020) and it is possible that these issues will still not be addressed by the ultimate scheduled closing date of the property (February 1, 2021).

Potential Acquisition, Use & Financing Scenarios

1. City approves rezone of property to allow use of site as shelter and County provides both funding for shelter operations and financing to KCHA for its acquisition of the site. Long-term (2 to 3 year) plan for site would be redevelopment of the site (after closure of the shelter) by a non-profit provider into permanent supportive housing (PSH) with shelter or other allowed social service support agencies co-located on ground floor. Concerns under this scenario:
 - Given the short time frame, KCHA may not have finalized its agreement with King County regarding its assumption of full responsibility for overseeing shelter operations prior to waiving contingency.
 - Legal challenges to use of the site as shelter or the downstream inability of operator to successfully operate the shelter (or the County's failure to adequately fund shelter operations) require that shelter operations cease.
 - Funding for permanent supportive housing site will require allocation of 9% Low-Income Housing Tax Credits and other public funding sources to support full cost of development and operation.

Financing – King County Loan (may need to be bridged with KCHA line of credit)

2. City does not approve use of property as shelter and the site moves directly into development as permanent supportive housing.
 - While this scenario would most likely receive community and City Council support, and would be an as of right use within current zoning, there could still be a neighborhood challenge to use of site as permanent supportive housing.
 - Funding for permanent supportive housing (as noted above) will require allocation of 9% Low-Income Housing Tax Credits and other public funding sources to support the full cost of development and operation.
 - Site is likely large enough to support both PSH and additional multifamily development.
 - Vacant sites can be an attractive nuisance for attracting vandalism and/or other illegal activity. KCHA might need to move directly to demolish the existing structure.
 - King County would need to pay for KCHA's holding costs of the site if we were to hold until transfer to the non-profit developer.

Financing - King County Loan (may need to be bridged with KCHA line of credit)

3. City does not approve use of site as a shelter and PSH development is determined to be infeasible. KCHA develops the site (either directly or in partnership) as multifamily workforce housing (examples of multifamily developments are attached).
 - This approach would require rezone from R-48 to MB (Mixed Business) in order to allow for sufficient density to make multifamily development viable (250 – 350 units).
 - MB zoning is currently in place along north, east and southern boundary of property and is consistent with long-term zoning plans for the north Aurora corridor.

- Site is large enough for both a market rate and an affordable housing development on the same site.
- Vacant sites can be an attractive nuisance for attracting vandalism and/or other illegal activity - KCHA might need to move directly to demolish the existing structure.
- KCHA would bear the carry cost of the site until the property is redeveloped.

Financing – KCHA line of credit would be utilized to fund development. Tax-exempt bonds would provide long term financing once construction was completed and the housing placed into service.

4. Options 1-3 above prove unviable and KCHA sells the site to a private developer to redevelop as privately owned multifamily housing.

- KCHA would likely seek to rezone the property to MB zoning in order to maximize the value of the site and allow for sufficient density to make a multifamily development viable (250 – 350 units).
- Vacant sites can be an attractive nuisance for attracting vandalism and/or other illegal activity - KCHA might need to move directly to demolish the existing structure.
- KCHA would bear the carry cost of the site until the property is sold.
- KCHA could structure the transaction as a straight sale, as a leasehold or with an option to revert the property back at a future date (40 to 50 years), or require that a portion of the units enter into a Project Based Section 8 HAP contract and/or remain affordable to a certain AMI demographic, or some combination of the above.

Financing – KCHA line of credit which would be retired with sale proceeds.



Name: **Malmo Apartments**

Address: **1210 N 152nd St, Shoreline, WA 98133**

Site Area: **1.14 Acres**

Units: **129 Units (113 units/acre)**

Stories: **5**

Year Built: **2015**



Name: **The Artiste Apartment Homes**

Address: **20221 Aurora Ave N, Shoreline, WA 98133**

Site Area: **1.07 Acres**

Units: **148 units (138 units/acre)**

Stories: **6**

Year Built: **2012**



TO: Board of Commissioners

FROM: Tim Walter

DATE: August 11, 2020

RE: **Resolution No. 5661** - Authorizing KCHA to enter into a purchase and sale agreement and an access agreement for the Oaks at Forest Bay property in Shoreline

Resolution No. 5661 authorizes KCHA to enter into a purchase and sale agreement and access/use of space agreement for the Oaks at Forest Bay property located at 16357 Aurora Ave N in Shoreline.

Background

In June of this year, the City of Shoreline and King County became aware of a long term skilled nursing home/assisted living facility, the Oaks at Forest Bay (the “Oaks”), located at 165th and Aurora Ave N that was closing. The operator, Five Oaks Healthcare, had reached out to the City to notify them of this decision and to see whether there would be any interest on the City’s part in using the vacated space before the property was put on the market for sale as a redevelopment site.

As fate would have it, the Washington State Department of Commerce had just issued notice of a grant opportunity to local governments to provide 30 months of funding for new shelter facilities so long as the shelter space would be for new beds and could be up and running by December 31, 2020. The County and the City of Shoreline realized that given the layout of the Oaks with 45 separate rooms located in a single story building, secured access entry, a private enclosed courtyard, a kitchen and numerous community spaces, it could be used as a temporary shelter and, if occupied by December, would also be an excellent candidate for operating funding through the Commerce grant. Given the timing and KCHA’s experience in acquiring and operating residential real estate, KCHA was approached by King County to see if we would be able to help facilitate this opportunity by acquiring the Oaks and making the space available for use over a temporary/short term period (two to three years) as an emergency shelter operated by a nonprofit shelter provider. During this time period the County and KCHA would develop and execute a strategy for long term use of the site, most likely as a non-profit owned and operated supportive housing facility.

Strategic Rationale

The region is struggling to provide sufficient shelter space in the midst of the pandemic. Health considerations require stringent limitations on occupancy levels in existing shelters and the County is employing a number of strategies to address the need for additional shelter space. Acquisition and repurposing of existing buildings is one of these. Moving additional homeless individuals off the streets and compensating for the reduction in the bed count in the existing shelter system in the midst of the pandemic is literally a life or death issue.

KCHA has a long history of working cooperatively with both County government and the City of Shoreline. The City Council in Shoreline has been briefed and is supportive and City staff are actively engaged in making this effort a success. The King County Executive's staff are actively engaged and the project has received sign-off from the County's budget director.

Acquisition of a 2.66 acre site on Aurora Avenue provides a long term strategic opportunity for redevelopment of this site at a significantly higher density to provide affordable housing, most likely permanent supportive housing, on this site. This longer term vision fits with KCHA's mission to directly or indirectly expand the supply of affordable housing in the region.

KCHA Role

At the request of the County and the City of Shoreline, KCHA has inspected the site and the building and determined that its location and layout could potentially work well for operation of a temporary emergency housing shelter. However, given the age of the building and the fact that it is divided into separate wings, it would not appear to be an ideal candidate as a permanent shelter facility without significant capital investment.

To assist the County in re-purposing the space as a shelter over the short term, KCHA has agreed to pursue securing site control both through a purchase and sale agreement and by negotiating an access/use of space agreement to allow occupancy of the site before acquisition so the site can be made ready to open for shelter operations by December. The County has verbally agreed to cover KCHA's out of pocket costs both related to any operating costs under an access agreement and any due diligence/acquisition-related costs associated with a purchase of the property.

Property Description & Building Condition

The Oaks at Forest Bay facility is approximately 36,500 square feet, originally built in 1953 as a nursing home, with periodic renovations since that time. The property is located at 16357 Aurora Ave. N (Highway 99), a major transit route from downtown Seattle through the north end. Metro's Rapid Ride runs north and south along Aurora Avenue N with a stop immediately adjacent to the property. The structure is one-story, built with wood frame construction and sided with brick and painted wood. The roofs are pitched with composite shingles.

The building is comprised of two adjoining wings with 45 total separate residential rooms. Each room was built to contain two beds per room. A portion, but not all of the rooms, have an adjoining half-bath and there are common bathroom and shower facilities co-located in each of the wings. In addition to the residential rooms, there is a secured access entry, office spaces, kitchen, multiple common areas and a full basement which is used for laundry, maintenance space and storage. The 45 residential rooms at the facility are each about 300 square feet in size.

The facility is located on a 2.66 acre, mostly rectangular parcel with mature landscaping with irrigation, and two large enclosed outdoor courtyards. There appear to be approximately 50 surface parking spaces in front of the site, as well as an unpaved vacant area for overflow parking in the northwest corner of the site.

In general, based on recent site tours and a 3rd party capital needs inspection completed in 2019 provided by Five Oaks Healthcare, the facility appears to be in fair to good condition. KCHA will begin extensive due diligence on the property, including review of title, a full ALTA survey, a Phase 1 environmental inspection and an independent assessment of the physical building condition, as soon as the property is under a contract of sale.

Neighborhood Description

The Oaks at Forest Bay is located on the southwest corner of Aurora Avenue and 165th Street. The Metro “E” Line bus stops on the street directly in front of the building entrance, providing regular access to downtown Seattle and areas north of the city. Aurora Avenue intersects the Meridian Park and Highland Terrace residential neighborhoods at 165th Street, with the Richmond Highlands Recreation Center located two blocks to the west and the Interurban Trail located one block to the east. Aurora Avenue provides nearby access to services, grocery, health care as well as a number of retail establishments and Shoreline Community College is a 15-min walk to the east of the site.

Status of Negotiations (Purchase Agreement & Access/Use of Space Agreement)

KCHA has reached out to the facility’s owner and to the tenant who was operating Oaks at Forest Bay and still holds the lease. The owner is CTR Partnership (“CTR”), a subsidiary of CareTrust REIT which is a public real estate investment trust located in California. The tenant is Aurora Oaks LLC (“Aurora Oaks”), an affiliate of Five Oaks Healthcare, which is an experienced operator of assisted living facilities in the Northwest region and has a master portfolio lease with CTR. The two entities have initially agreed with KCHA on the basic terms of an early occupancy/access agreement between KCHA and Aurora Oaks, as well as a purchase and sale agreement with a tentative closing date for the property of February 1, 2021. In order to meet the County’s year-end deadline for shelter operation, KCHA is seeking Board approval to proceed with entering into both a purchase and sale agreement and an access agreement.

The negotiated purchase price of the property is \$7.33 million. KCHA has engaged an appraiser to determine the fair market value of the property. The results of the appraisal should be available by early to mid-September. The payment terms include non-refundable monthly payments of \$55,000 per month due on or before the first of each month commencing September 1, 2020 with a final monthly payment on January 1, 2021 and a balloon payment of the remaining balance, \$7,055,000, on February 1, 2021. The terms of the purchase agreement also include a \$500,000 refundable earnest money which will be returned to KCHA if the Authority elects not to waive its contingencies and does not close on the purchase. If KCHA purchases the property, the \$500,000 will be applied toward the \$7,055,000 balloon payment. KCHA anticipates using proceeds from a draw on its KeyBank line of credit to finance the acquisition.

The terms of the purchase agreement provide for a due diligence/feasibility period that expires on December 1, 2020. Prior to this date, KCHA intends to conduct its due diligence not only on the physical characteristics of the property but also with respect to the use of the property as a shelter for homeless persons, and other potential benefits and risks to the Authority of acquiring the property. These considerations include but are not limited to short-term and long-term zoning approvals, conditional use requirements by the permitting and fire authorities, receipt of an adequate promise of reimbursement from the County to cover KCHA's costs associated with involvement in this project, indemnities from the County and other parties including the shelter operator to protect KCHA from liability exposure, public notification, due diligence on the shelter operator (Lake City Partners), satisfactory assurance that the shelter operator will be adequately funded, commitment or reasonable assurance from the County to provide take out financing for KCHA's line of credit, and a realistic exit (property disposition) strategy for KCHA.

The proposed access/use agreement with Aurora Oaks will permit KCHA to immediately enter the site to conduct its property due diligence and the future shelter operator to enter the site to begin cleaning, painting, re-carpeting and preparing the building and grounds for use as a transitional emergency shelter. In exchange for receiving access to the facility, KCHA will assume all of the interim costs of operating the property (including utilities, grounds maintenance, security, taxes and insurance) independent of the shelter operation. KCHA fully expects to be reimbursed by the County for any costs it incurs associated with access to the site prior to the closing of the sale. After closing of the sale, KCHA expects all costs of operating the property to be borne by the operator and/or the County.

Risks

A thorough list of the Risks and Mitigations will be provided to the Board of Commissioners upon completion of KCHA's due diligence and feasibility review and prior to a decision being made to purchase the property. At this time, the primary risk to KCHA is the potential financial exposure associated with the obligation to pay non-refundable earnest money and the operating costs associated with the access/use of space agreement.

Risk & Mitigation

- **(Risk)** KCHA commits to making monthly non-refundable earnest money payments of \$55,000 per month as well as covering operating costs of the property associated with the terms of a use/access agreement.

- **(Mitigation)** KCHA has been verbally assured by King County that they will cover KCHA's out of pocket costs associated with our involvement in this project. If KCHA has not received written assurance and/or the County has not advanced funds to cover or reimbursed out of pocket costs to KCHA prior to the feasibility waiver date, KCHA can terminate the purchase and sale agreement and the access agreement with no on-going financial obligation. KCHA's maximum out of pocket exposure in this scenario would be the payments made prior to the feasibility waiver date (December 1, 2020) which would be 3 months of earnest money payments (\$55,000 per month payments for the months of September, October and November and three months of operating expenses estimated at \$15K - \$20K/month for a total out of pocket amount of \$225,000).

Next Steps

Subject to Board approval of Resolution 5661, staff will attempt to finalize the form of the purchase and sale agreement and the use/access agreement and execute both documents. Upon execution of the documents, KCHA will commence its due diligence work as outlined above and will come back to the Board prior to December 1, 2020 (most likely at the November, 2020 Board of Commissioners meeting) with a full report and Project Profile on the project as well as a recommendation to proceed with the acquisition if such determination is deemed by the Executive Director to be in the best interest of the Authority.

Staff recommends passage of Resolution No. 5661

OAKS AT FOREST BAY





Large central courtyard



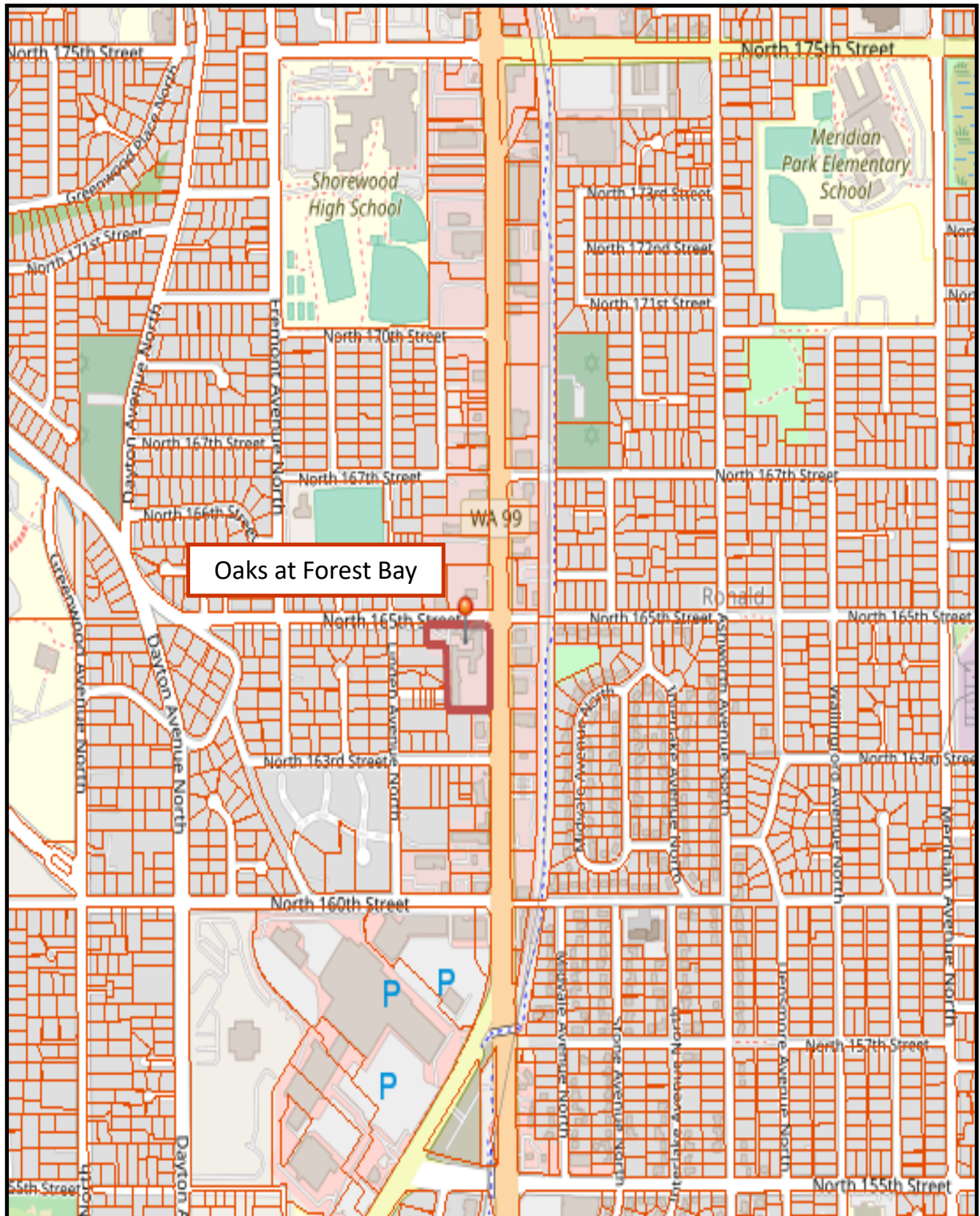


Rooms along
two wings



Surface
Parking

Oaks at Forest Bay
16357 Aurora Avenue North, Shoreline



THE HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5670

**A RESOLUTION AUTHORIZING ACQUISITION OF THE OAKS AT FOREST BAY
PROPERTY LOCATED IN SHORELINE**

WHEREAS, the King County Housing Authority (“Housing Authority”) is charged with 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 creating housing opportunities in areas with significantly appreciating housing costs; and

WHEREAS, RCW 35.82.070 (2) and (3) provide, in part, that a housing authority shall have the power to prepare, carry out, acquire, lease and operate housing projects and may provide for construction, reconstruction, improvement, alteration or repair of any housing project within its area of operations; 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, RCW 35.82.120 directs that, in the planning and creation of any housing project, a housing authority shall take into consideration the relationship of the project to any larger plan or long-range program for the development of the area in which the housing authority functions; and

WHEREAS, by Resolution 5661 dated August 17, 2020, the Housing Authority determined that acquisition of the property comprised of an existing building containing approximately 36,500 square feet located on an approximately 2.66 acre parcel, and commonly known as the Oaks at Forest Bay located at 16357 Aurora Avenue North, Shoreline, Washington 98133 (the “Property”), would serve the mission of the Housing Authority and the housing goals

of the region by increasing shelter available to homeless persons as part of the larger plan to support the housing needs of low income homeless persons throughout the County; and

WHEREAS, pursuant to Resolution 5661 the Housing Authority has entered into a purchase and sale agreement (“Purchase Agreement”) for the purchase of the Property for a price of \$7,330,000.00, which agreement is subject to an inspection and feasibility contingency.

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

Section 1: The Executive Director, Stephen J. Norman, is hereby vested with the authority, and with discretion in the exercise of such authority, waive any and all contingencies under the Purchase Agreement and to consummate the acquisition of the Property under the Purchase Agreement;

Section 2: 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 16th
DAY OF NOVEMBER, 2020.**

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

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. 5670 (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 16th, 2020 (the “Meeting”), and duly recorded in the minute books of the Authority;

2. That in accordance with RCW 43.06.220, and the Proclamations of the Governor of the State of Washington, as extended by the leadership of the Washington State Senate and House of Representatives (a) the Meeting was not conducted in person, (b) one or more options were provided for the public to attend the Meeting remotely, including by telephone access, which mean(s) of access provided the ability for all persons attending the Meeting remotely to hear each other at the same time, and (c) adoption of the Resolution is necessary and routine action of the Board of Commissioners of the Authority;

3. The public was notified of access options for remote participation in the Meeting via the Authority’s website and email to stakeholders; and

4. The 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 the Meeting was given; that a quorum was present throughout the Meeting through telephonic and/or internet means of remote access, 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 16th day of November, 2020.

Stephen J. Norman

Executive Director and Secretary-Treasurer

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To: Board of Commissioners

From: Jill Stanton, Deputy Executive Director

Date: November 11, 2020

Re: **CY 2021 Budget Context**

Executive Summary

At the November Board meeting staff will be discussing the broad outlines of the CY 2021 KCHA budget. Staff and leadership are scheduled to complete budget meetings and make final recommendations by mid-December. The final budget will be presented for Board consideration at the December meeting.

As the nation and the world continues to battle the global pandemic, KCHA too has faced numerous challenges. Many of our 2020 budget initiatives were put on hold and have been carried over to 2021. While we do believe that we will be able to proceed with most of them, it may be at a slower pace. Before we began the year, we were well underway in implementing a new budget software system. We proceeded with that initiative but it has been challenging given most of this staff is working from home and all of the implementation training and support has occurred via zoom or other virtual or telephonic meetings.

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 2021 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. At this point, as in many previous years, HUD's appropriation levels have not yet been determined by Congress. While the House has prepared and approved its version of the Department's budget, the Senate has not yet proceeded to mark-up.

The House version of the HUD bill proposes a \$1.35 billion increase in Housing Choice Voucher renewal funding. This should be sufficient to fully fund all vouchers currently in use at a close to 100% pro-ration. Public Housing operating funding is essentially flat-lined and the public housing capital grant is increased slightly.

The Senate Appropriations T-HUD Sub-Committee's HUD numbers were just made public on November 10th. Housing Choice Voucher renewals were funded at a slightly higher level than in the House, although the \$295 million in funding contained in the House's bill for new incremental homeless vouchers was reduced to \$65 million. Operating and Capital funding accounts for Public Housing are slightly below the House's levels.

As final Conference numbers have yet to be determined and proration calculations conducted by HUD, we are assuming a conservative 98.5% prorate in our revenue projections for the Housing Choice Voucher Program and a 90% proration for Public Housing operating subsidies (final prorates in 2020 for these programs were 99.4% and 96.2% respectively). There were a number of new expenditures proposed in the House's version of the HUD budget, including a major expansion of the HCV program and a separate infrastructure fund to support upgrades to the public housing inventory – these proposals have not been included in our revenue assumptions. The budget also does not include any assumed additional funding from a new COVID-19 relief bill.

The federal government is currently operating under a Continuing Resolution that expires on December 11th. It is unclear whether the lame duck Congress will move forward with finalizing the budget or whether this issue will be deferred to the new Congress in January. It is most likely that final budget numbers will not be available 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. However due to the pandemic, we are experiencing higher than normal rent delinquencies. As of the end of September, rent delinquency for the bond program reached \$986,054, an increase of \$690,127 over 2019's ending balance. The delinquency represents 12% of monthly scheduled rents or 1% of annual scheduled rents.

For the tax credit portfolio, excluding KCHA managed properties, the rent delinquency reached \$219,472 at the end of September, an increase of \$90,423 over 2019's ending balance. The delinquency represents 19.66% of monthly scheduled rents or 1.64% of annual scheduled rents.

Both programs enrolled in King County's Eviction Prevention and Rental Assistance program. Over \$250,000 has been pledged to our properties as of this writing. We anticipate at least 50% of current delinquencies will be paid by this program in the next few months.

For 2021, we are budgeting an average 2% rent increase in the Workforce Housing inventory – with no increases scheduled before mid-year - as well as 2% in rental concessions to help address a possible rental market downturn and increased vacancies. We are still in the process of analyzing the budget numbers but are estimating the amount of cash flow that will come to the housing authority from these portfolios in 2021 will be approximately \$5.9 million from the tax credit portfolio and \$6.9 million from the bond portfolio. Approximately 50% of the tax credit cash flow is used for debt and other required payments.

In general, our financial picture remains strong, as evidenced by significant working capital and reserves, and the quality and condition of our housing portfolio. KCHA maintained our AA rating provided by Standards and Poor's on our bonds issued in July 2020 which is a testament to our strong management, healthy financial outlook, and the high quality condition of our properties. The 2021 budget reflects good decision making and continued efforts to maintain this rating as well as other debt covenant requirements.

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 \$130.9 million in 2021. 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 for MTW Housing Authorities is adjusted 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 2019, KCHA received a 2.173% inflation factor. In 2020, HUD provided an inflation factor of 8.674%. This increased our baseline funding going into the 2021 budget year by approximately \$12.7 million.

HUD recently published the 2021 Fair Market Rents (FMRs), a key element in calculating the inflation factor for each market. HUD's FMRs for our region are 10.1%

lower than last year's. The decrease resulted from the substitution of HUD data for the locally commissioned market survey we had previously submitted. Although we are anticipating that HUD's 2021 inflation factor for our local market may be low, we did not, due to uncertainty regarding local market conditions in the midst of the pandemic, elect to commission a new local rent survey to challenge HUD's numbers.

Based on this, we have budgeted a 1.5% annual inflation factor, which is the minimum we expect HUD to establish for all housing authorities. Each percentage point adjusts our funding eligibility level by \$1.598 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 2021. We believe that this strategy will set the stage for a significant recalibration (and resultant inflation factor) in 2022.

Another unknown, as mentioned above, is the budget proration which will be determined by final congressional appropriation levels for 2021. The 2020 proration for the block grant was 99.4%. For 2021 we are estimating a 98.5% proration. Using a 1.5% inflation factor, and assuming a 98.5% proration on HCV funding, KCHA estimates that funding for the CY 2021 Block Grant will be \$159.8 million, which should generate MTW working capital of approximately \$19.2 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 \$28.5 million and \$26.6 million in receipts from the sale of former public housing land at Greenbridge and Seola Gardens.

While these reserves can be used to bridge the funding gap in the event of a major and significantly sustained funding shortfall, it is likely that KCHA would need to take other steps over the long term to assure support of core services, such as 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. The Board will be kept closely apprised as the federal funding situation evolves. We are not expecting significant shortfalls in 2021.

Housing Choice Vouchers

Currently KCHA has contract authority for 10,637 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 VASH vouchers.

In 2021 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 8,882, reflecting a 629 household over-lease from the HUD baseline. Of the 2,384 special purpose vouchers outside of the block-grant, 446 are not currently leased. This under-lease reflects VASH vouchers that depend on referrals from the VA, and FUP vouchers that require referrals from the child welfare system. Both of these programs have seen an influx of new vouchers this year, in addition to new Mainstream vouchers that are being leased up. In total, KCHA averaged 128 units over its combined block-grant and special purpose voucher baseline throughout the year. This total does not include the additional 174 households being assisted through sponsor-based rental subsidies or other forms of non-conventional housing assistance through August of 2020. KCHA's status as an MTW housing authority allows it to help these additional families.

In 2020, the average landlord HAP payment has increased by approximately \$80 per month when compared to one year ago. This reflects continued market pressures and rent increase requests during the year. This year we received approximately 800 rental assistance increase requests due to the global pandemic which caused some of our program participants to experience a loss in income. We estimate that by 2020 year's end combined total HAP costs for our block and non-block grant vouchers will be \$14.6 million higher than in 2019 due to both the increase in average HAP per unit costs and an increase in total vouchers administered.

The draft 2021 budget forecasts 100% utilization of contracted vouchers (excluding VASH and FUP) awarded prior to July 30, 2020. In addition this assumes over-leasing of approximately 430 vouchers in our block grant including the 300 we add to our baseline each year. With the 8.674% RFIF that we received in CY 2020 and the funding level we have projected for 2021, funding will be sufficient to support the over-leasing in FY2021. The over-leasing in excess of our baseline standard of 300 was 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 FY2021 will be contingent upon on-going funding decisions by HUD and Congress as well as current market trends in King County. The HCV team is strategizing on possible options to decrease our leasing levels if necessary, including issuing less vouchers each month.

Subsidized Property Management – 4,666 units

The prorate received for Public Housing in FY2020 was 96.2% and the prorate projected for FY2021 is 90%, with KCHA budgeting receipt of \$10.6 million in HUD subsidies. Due to the receipt of the CARE act funding to respond to the cost of the pandemic we did not have to transfer any MTW block grant money to the public housing program for operating expenses in 2020. If the prorate for 2021 is the same as 2020, KCHA would receive an additional \$736K for public housing which would reduce any internal MTW block grant subsidy needed to support the program.

HUD funding includes roughly \$3.6 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 paid by residents due to the 1.3% SSI adjustment awarded in January 2021.

The Housing Management Department is proposing to continue both its Unit Upgrade and Small Projects programs. Initial plans call for 133 units to be upgraded at an average cost of \$27 thousand per unit. 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 \$1.5 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 – 7,128 units

As with the subsidized portfolio, vacancy rates for workforce housing remain very low. Physical occupancy as of October 2020 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. Except for the newly acquired properties, most of these properties' rental costs are now below market by double digit percentages; 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 on-going major rehab at 3 sites, Abbey Ridge, Woodland North and Bellevue Manor. We anticipate that there may be additional acquisitions late in 2020 or during 2021.

The Department is estimating that owned and externally-managed properties will deliver an estimated \$8 million in net cash flow to the Authority in 2020, which is \$3 million above the 2020 budget projection due to debt refinancing and low turnover. 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 2020 amounts will not be paid until the 2020 audits are completed in March 2021. The current estimate for the March payment is \$5.8 million out of which approximately \$3 million of debt payments will have to be made. This number and forward looking cash flow projections for 2021 factor in assumptions regarding the on-going impact of the pandemic.

Capital Expenditures

Currently proposed capital expenditures by department include:

Housing Management	\$ 5,808,370
Capital Construction	11,796,240
Asset Management	19,850,347
Development	9,977,580
Other	195,000
Total Planned	<u>\$47,627,537</u>

Major individual projects included in the above chart:

- Housing Management-Unit Upgrades-\$3,515,123
- Capital Construction- Public Housing Improvements -\$8,726,266
- Capital Construction- MKCRF Improvements-\$1,743,598
- Capital Construction-Other Activity-\$1,706,175
- Development-Bellevue Manor Redevelopment-\$7,594,667
- Fee property managers-small projects across whole portfolio-\$17,060,097
- Mobile Home Parks-\$2,768,250

Excluding funds budgeted for development activities, the projected 2021 budget for capital upgrades to our inventory is \$37.4 million.

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.

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 5.8%. The greatest drivers of this change are:

1. Cost of Living Adjustments. The 2020 COLA for the KCHA staff was approved by the Board in October. The 1.9% inflation adjustment, based on 100% of the CPI-W for our area, is lower than the 2.2% from 2019. Between represented and non-represented employees, this adds \$774,819 to payroll

- costs. We are also assuming up to a 2.5% COLA increase in the budget in November 2021.
2. Medical Premiums. After significant increases in 2017, PEBB rate increases have been moderate. Plan increases vary, but no plan increased by more than 3.36% for 2021 and most plans increased by less than 3%. The employee census decreased by 4 covered employees which is the primary driver for a very slight decrease in insurance costs to KCHA. The average cost per employee for 2021 is \$14,557, a slight decrease over 2020's average of \$14,609. 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 2020, the PERS rate increased only slightly from 12.86% to 12.97% of covered wages, where it will remain throughout 2020.
 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. 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 2021 our rating is currently projected to go up to 1.45 from 1.25 in 2019. In 2019 the rate was 1.08. This rating reflects claims from employees who had significant time loss charges and will increase our L&I expenses next year by approximately \$60,000. Management continues to strategize with our L&I consultants on goals to improve our L&I experience rating and our risk manager is implementing training programs to reduce the risk of accidents and injuries on the job.

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 2021 initiatives. All departments have been involved to varying degrees and we are currently undertaking a market salary study for over 70 benchmark positions. We hope to complete this project in the second quarter of 2021.

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), have completed a 9 month intensive educational program. In our second year, we have issued a proclamation titled "KCHA's Day of Solidarity" which will be recognized on June 19th going forward. The proclamation adopted by the Board of Commissioners included commitments to examining our procedures, policies, hiring, promotion, retention, and disciplinary processes for inequitable practices and committed to collaboration with partners, investing in agency wide training, and requiring leadership support to racial equity

and equitable opportunities for Black, Indigenous, and any People of Color. KCHA is currently engaged in agency-wide training on racism conducted through a program called Courageous Conversations.

Over the next few years, KCHA will be upgrading several components of our technology architecture. In 2020 we conducted a Technology Assessment to assist us in getting this work started which we expect to complete by year end. In addition, we will carry over a 2020 initiative to secure and implement a new Human Resource Management System into 2021. The 2021 budget includes resources to hire two project managers to assist with the conversion to new technologies.

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 2020 cash projections for the major MTW and COCC fund groups as well as tracking developments on the Congressional appropriations front.

T A B N U M B E R

8



TO: Board of Commissioners

FROM: Ai Ly, Accounting Manager

DATE: November 2, 2020

RE: **3rd Quarter 2020 Summary Write-Offs**

During the third quarter of 2020, tenant accounts totaling \$7,239 were deemed uncollectable and written off. This represents a 78% decrease from the previous quarter. This is a direct result of the various eviction moratoria in place due to the COVID-19 pandemic. Overall, rent owed to KCHA accounted for \$1,952 (27%) of the total and cleaning/damage charges accounted for \$5,062 (70%) of the total. Security deposits in the amount of \$1,213 were retained to offset 17% 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. \$377 was recovered by the collection agency during the fourth quarter.

	Total WRITE-OFFS	YTD WRITE-OFFS
Rent Balance Forward to Vacate Month	\$ 1,276.73	\$ 20,796.52
Retro Rent Write-offs	\$ -	\$ -
<u>VACATE CHARGES:</u>		
Rent Delinquent in Vacate Month	1,951.51	9,646.89
Cleaning & Damages	5,061.93	26,553.71
Paper Service & Court Costs	-	1,184.48
Miscellaneous Charges	1,439.80	9,182.28
Total Charges	<u>8,453.24</u>	<u>46,567.36</u>
Total All Charges	<u>9,729.97</u>	<u>67,363.88</u>
<u>CREDITS:</u>		
Security Deposits	(1,213.00)	(5,138.00)
Miscellaneous Payments & Credits	<u>(1,277.73)</u>	<u>(7,715.33)</u>
Total Credits	<u>(2,490.73)</u>	<u>(12,853.33)</u>
Total Net Write-offs	<u>\$ 7,239.24</u>	<u>\$ 54,510.55</u>
Net Write-offs by Portfolio		
KCHA	5,542.42	47,292.75
Green River II	-	1,356.32
Soosette Creek	-	165.78
Zephyr	-	-
Fairwind	-	3,425.96
Vantage Point	-	572.92
Spiritwood Manor	1,696.82	1,696.82
	<u>\$ 7,239.24</u>	<u>\$ 54,510.55</u>

**Write-off and Collection Summary
2018 - 2020**

NET WRITE-OFFS			
	2020	2019	2018
January to March	15,086.25	42,166.82	13,801.87
April to June	32,185.06	62,865.14	110,847.95
July to September	7,239.24	74,632.34	40,570.09
October to December		24,730.55	50,945.89
TOTAL	54,510.55	204,394.85	216,165.80

NET COLLECTIONS			
	2020	2019	2018
January to March	3,068.43	273.57	745.08
April to June	499.08	2,449.81	1,064.10
July to September	377.00	3,655.74	553.34
October to December		1,812.32	830.82
TOTAL	3,944.51	8,191.44	3,193.34

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

T A B N U M B E R



KCHA IN THE NEWS

November 16, 2020

SHELTERFORCE

The Original Voice of Community Development

Affordable Housing Providers Fear the Worst Pandemic Impacts Are Yet to Come

There has been a dip in rent collections over the last several months, but not the precipitous plunge off a cliff that seemed plausible in the early days of the pandemic. However, housing providers are once again expecting the worst.

By **Josh Cohen** – October 13, 2020



Affordable housing providers say they've had increased payroll costs for extra cleaning and housekeeping staff to keep up with sanitizing and other COVID-related cleanings. iStock photo by melyn

Affordable housing providers are waiting for the other shoe to drop. So far, the fallout from the COVID-19 pandemic has not been the catastrophe many were preparing for when the United States started shutting down in March.

There has been a dip in rent collections, to be sure, but not the precipitous plunge off a cliff that seemed plausible in the early days of the pandemic. That is in large part thanks to a [patchwork of federal, state, and local aid](#) that helped keep renters afloat, including the \$1,200 stimulus checks in the spring, enhanced unemployment benefits, and local and philanthropic rent relief programs.

As the pandemic lurches into its seventh month, however, those housing providers are once again expecting the worst. For many, that surprisingly stable rent collection rate has started to slip. The \$600-a-week enhanced unemployment benefits have long since ended, and the extended \$300-a-week benefits expired in at [least 17 states in October](#). Negotiations in Washington over a second federal relief bill briefly moved forward before the president called them off [via tweet](#) on Oct. 6. If the federal

government fails to provide additional relief and the economy continues to falter, providers worry that the popsicle stick-and-glue safety net that's held things together so far will fail completely, and the consequences could be dire.

“As more and more residents are unable to pay rent, it really puts [affordable housing providers'] very operations and mission in a bind,” says Amie Fishman, executive director of the [Non-Profit Housing Association of Northern California](#). “If they don't collect rents that allow them to pay for operations and services and maintenance, if they go into default or foreclosure, it means the affordable covenants are lost and we lose that asset for the community today and into the future.”

Measuring the Impact

A [new report](#) from MRI Software, a property management tool used by market-rate, affordable, and public housing managers, helps quantify the experience of affordable and public housing providers during the pandemic. MRI looked at national data from more than 350,000 units of income-restricted affordable housing and more than 1 million units of public housing to compile a report on rent collection, applications, move-ins and move-outs, work orders, and more from January to August 2020.

For rent collection, the report measures total dollars collected and compares it year over year to 2019. From January to June this year, rent collection in affordable housing hovered between about 85 percent and 90 percent of 2019 levels. In July rent collection dropped down to 75 percent of 2019; in August it was 77 percent.

“I can't explain with any empirical data why July and August dropped,” says MRI Software's Brian Zrimsek, who compiled the report. “I can infer it is from the stimulus running out, continued unemployment, and people burning through their savings.”

Rent collection in public housing, on the other hand, has largely remained stable, the report finds. Since January, it has fluctuated between 95 percent and slightly more than 100 percent of 2019's rent collection levels. In August, it dipped to its lowest point of 94 percent. Zrimsek attributes that to a combination of more public housing residents living on fixed incomes that haven't been affected by the pandemic and to the deeper subsidies provided by public housing agencies.

In addition to rent collection, the report found that August work-order volumes in both affordable and public housing are down about one-third from the previous year, move-outs are down 40 percent and 80 percent in public housing and income-restricted affordable housing, respectively, and new move-ins are down about 40 percent year over year in both housing types.

Though rent collection has remained more stable than feared, Zrimsek is still worried that the slide that began in July could continue its downward trend.

“I think we're going to see continued slow erosion because we're going to see continued unemployment,” he says. “I'm sure the folks in D.C. will provide some additional assistance. But that can only go for so long. We have to figure out on the macro level how to rebuild what was lost [in the economy].”

Janine Sisak is senior vice president at [DMA Companies](#), a developer and property manager with about 2,500 units of affordable housing throughout Texas, and board president of the Texas Affiliation of Affordable Housing Providers. She says DMA Companies has seen a roughly 10 to 15 percent dip in rent collections. “We’ve been pleasantly surprised that we’ve been able to collect enough rent to meet our operating reserves,” says Sisak. “Things could be getting worse in this environment, but for now we’re feeling pretty good about our ability to meet the challenge.”

Sisak says DMA worked closely with residents to set up payment plans and took a proactive approach to connecting residents with municipal and philanthropic rent relief programs in Texas.

[Catholic Charities of Central Washington](#) operates 20 affordable housing sites serving low-income Washingtonians in a rural, agricultural region. They have collected about 94 percent of rent throughout their portfolio during the pandemic. That is in large part because 80 percent or more of their residents are farmworkers who’ve continued working throughout the pandemic, even if it hasn’t been at the same levels as normal years.

Bryan Ketcham, Catholic Charities’ director of housing services, worries that could change as fall gives way to winter. “Families are already scraping by. They’re making it work. But their resources are strained and these are normally the months where they’re earning and saving for slow periods in agriculture through the winter. What’s the impact going to be in the off season?”

A Reshaped Housing World

Though rent collections have kept up better than expected, the pandemic has reshaped how affordable housing providers operate. For Ketcham, one of the biggest struggles has been maintaining resident services at the level needed. In normal times, Catholic Charities holds a variety of services on site such as parent education classes, early childhood education, after-school education, exercise programs, and more.

“We’ve been developing some plans on how to provide resident services, which is so reliant on establishing trust and personal connection,” says Ketcham. “That’s so difficult to establish and maintain over the phone.”

With school back in session, but fully remote, Ketcham says they’ve been scrambling to figure out how to get families Wi-Fi access so kids can log in to their classes, something that further strains their already strained budget. “We’re looking into how we can provide Wi-Fi, but that is a cost we have to figure out.”

The pandemic has also forced providers to spend more even as they take in less. Sisak of DMA Companies in Texas says they’ve increased payroll costs with extra cleaning and housekeeping staff to keep up with sanitizing and other COVID-related cleanings. Because of social distancing requirements, service visits are more challenging as well. “Everything takes longer and is more expensive,” Sisak says.

At the [King County Housing Authority](#) in Washington State, the pandemic has raised costs and cut into revenues in three ways. As Housing Choice Voucher holders lose income, the Housing Authority’s contribution to the rent has gone up. Housing Authority Executive Director Stephen Norman says it’s hard to put an exact number on how much more the agency is contributing to voucher holders’ rents

because the number is changing week by week. But, he says, “those increases have started to go up steadily. . . . As the federal supplement to state unemployment went away that exacerbated things for people. I think unless we get a new COVID relief bill we’re going to see a steady increase in people coming in to report lost income.”

The housing authority’s rent contributions have similarly gone up in the public housing it operates as residents’ incomes drop. Between March and September, it lost \$141,262 due to rent concessions. In that time period residents accrued \$327,586 in delinquent rent. And, as for many housing providers, operations costs have gone up with disinfecting efforts, meal deliveries to seniors, and other additional staffing requirements.

One pandemic adaptation Norman is particularly proud of is the conversion of 15 after-school community facilities at housing-authority buildings into [daytime “learning pods”](#) where kids can access the internet for their school work, get supervision while parents work, socialize, and generally replicate the school environment that’s missing from distance learning.

Long-term Consequences

The true scope of the pandemic’s economic impact will take years to be fully unveiled, but for some developers and housing providers, it’s already reshaping how they’re thinking about the short- and middle-term future.

[New Mexico Inter-Faith Housing](#) is a relatively new affordable housing provider with one low-income development open and another under construction. Executive Director Daniel Werwath says construction costs have ballooned at their Santa Fe project. Thanks to increased materials costs and slower construction, the cost of the project jumped by \$800,000, an 8 to 10 percent increase. Thanks to some grants and extremely low-interest rates, New Mexico Inter-Faith was able to still make the financing work. But Werwath says the cost increase translates to a loss of about \$200,000 in profit for the organization, or about four-fifths of its annual operational budget.

“It makes us more cautious about putting projects in the pipeline right now,” says Werwath. “There’s volatility in interest rates. There’s huge volatility and availability problems with construction and construction materials. . . . Just when we need to be building affordable housing the most, the incentive is to sit back and see how things shake out.”

The demand is certainly high. Werwath says they haven’t done any proactive outreach yet for their project under construction, but still field phone calls and emails nearly every day from people hoping to nab a spot in it.

The economic fallout around housing construction is going to ripple far and wide. In response to the pandemic, New York City cut the budget of the Department of Housing Preservation and Development by more than \$1 billion over two years. The nonprofit [New York Housing Conference](#) calculates the impacts of that will be immense, with 21,000 fewer units of affordable housing produced over the next two years. In turn, the decreased production will mean 22,176 fewer construction jobs, 12,096 fewer jobs in related industries, and \$7.98 billion less in total economic spending.

“The cuts are devastating,” says Rachel Fee, executive director of the New York Housing Conference. “They’re going to be really painful for the affordable housing community in New York. But it’s really New Yorkers who need housing who are going to lose out in the long run.”

If the loss of rent collection continues apace for King County Housing Authority, it will likely start to hurt its ability to keep up with maintenance and capital improvement projects.

“We have very good housing because we devote the resources to maintaining and upgrading it,” says Norman. “It is penny-wise and pound-foolish to start cutting back on that, but that’s one of the first things we’d have to do if we have deep budget shortfalls.”

He continues, “It’s not an immediate concern. But you start to dig yourself a hole that month by month is hard to get out of. . . . You just have to look at New York City Housing Authority where they skimmed on maintenance and repairs [and have a [\\$40 billion backlog](#)] to see it doesn’t take long to fall behind.”

In the worst-case scenario, where residents continue to suffer underemployment and unemployment and can’t pay their rent for the long term, some fear that affordable housing providers will start running the risk of foreclosure.

“We don’t want to see a massive wave of people losing their homes and capital investors coming in and buying it up,” says Fishman of the Non-Profit Housing Association of Northern California. “We know what that looks like. We saw it in 2009, 2010, 2011. . . . [We] know how horrifyingly terrible and unnecessary it is to have people be evicted because of this pandemic only to have the properties sit empty. Our communities, our neighbors, our family members, are left to fend for themselves without a home.”

Fishman and others argue the solution has to come in the form of federal rent relief and other stimulus. It was that early stimulus from the CARES Act, after all, that helped facilitate some of the surprising stability affordable housing and public providers experienced through the spring and summer.

For a brief moment, it looked like those glacial-paced negotiations between House Speaker Nancy Pelosi and Treasury Secretary Steve Mnuchin on a second relief bill were reaching fruition. [News broke on Oct. 2](#) that the parties were coalescing around a \$1.6 trillion package that likely included another round of \$1,200 checks for Americans, money for state and local governments, and bailout money for the airline industry.

But just four days later, President Trump torpedoed those hopes when he tweeted, “I have instructed my representatives to stop negotiating until after the election when, immediately after I win, we will pass a major Stimulus Bill that focuses on hardworking Americans and Small Business.”

With relief money unlikely to come any time soon, housing providers, advocates, and tenants are once again left fearing the worst.

“It’s extraordinarily reckless and irresponsible for Trump to blow up negotiations now, when so many renters and small landlords are struggling and when there is growing bipartisan agreement on the urgent need for emergency rental assistance,” said National Low Income Housing Coalition president Diane Yentel in an email. “The longer the federal government waits to act, the steeper the financial cliff that renters will be pushed off when the eviction moratorium expires this winter.”

KENT REPORTER

Kent resident appointed to Green River College Board of Trustees

Gov. Jay Inslee selects Jennifer Robson Ramirez to serve five-year term

By [Steve Hunter](#) Monday, October 12, 2020



Kent resident Jennifer Robson Ramirez was appointed in September by Gov. Jay Inslee to the green River College Board of Trustees.

Ramirez Robson is the director of resident services at King County Housing Authority where she guides the work of several strategic and program initiatives to improve the quality of life for residents and their communities, according to the Green River College website. Many of these initiatives seek to understand and strengthen the connections between housing and health care, employment and more.

Green River's main campus is in Auburn with branch campuses in downtown Kent, Auburn and Enumclaw.

Ramirez Robson earned her bachelor's degree in sociology from Southern New Hampshire University and has 20-plus years of leadership experience across private, nonprofit and government sectors. She replaces Linda Cowan, whose term ended after 10 years of service.

"Trustee Ramirez Robson brings a wealth of experience working with nonprofit and governmental organizations to the position," Board Chair Arlene Pierini said. "We look forward to working with our new colleague as we start the school year."

Ramirez Robson will be introduced during the Oct. 15 Board of Trustees meeting at 4:30pm., which will be held virtually via zoom.

"She will be a strong addition to our outstanding board and I look forward to our work together on behalf of our students and communities Green River serves," Green River President Suzanne Johnson

said. “I would like to take this opportunity to thank Linda Cowan for her service to Green River as a trustee. Her stewardship, dedication to public service and commitment to Green River’s mission is greatly appreciated.”

The other members of the five-member board, who are appointed by the governor to five-year terms, include Pierini, of Auburn, former executive director of Communities in schools of Auburn; Elaine Chu, of Maple Valley, senior philanthropic advisor for the Seattle Foundation; Sharonne Navas, of Kent, co-founder and executive director of the Equity in Education Coalition; and Jackie Boschok, of Kent, president of the Washington State Alliance for Retired Americans and a member of the Board of Directors for Puget Sound Advocates for Retirement Action.

Study looks at low income mobility

Oct 9, 2020



State Reps. Andy Fugate, D-Del City, and Tammy Townley, R-Ardmore, teamed up Wednesday to present an interim study focused on barriers to upward economic mobility for low-income citizens.

Townley's District 48 includes a southern portion of Garvin County.

Participants in the bipartisan study, titled "Housing Choice Voucher Mobility," reviewed the Creating Moves to Opportunity project in Seattle/King County, Washington.

This project looked at what barriers exist that keep low-income, housing voucher recipients from moving to areas with more upward mobility.

"There is no need to reinvent the wheel when we have the opportunity to learn from others," Fugate said. "CMTO is a joint project between the Seattle/King County Housing Authority and Harvard

University's Opportunity Insight's Institute. Their approach has proven to improve family outcomes by empowering families to move to areas of higher opportunity."

The Fugate/Townley study also looked at Oklahoma's Family Self-Sufficiency program. The FSS program is voluntary and designed to help residents of Section 8 Housing meet their individual financial goals.

"The Family Self-Sufficiency Program is just one of the many wonderful ways that Oklahoma assists low-income families achieve their goals of obtaining home ownership," Townley said.

"It is our hope that through this study more Oklahoma families will take advantage of the programs offered by Oklahoma Housing Finance Agency."

Both members hope that this study will lead to bipartisan legislation that increases opportunities for Oklahomans.

"The United States spends over \$20 billion each year on Section 8 Housing," Fugate said. "Most of that money is spent in high-poverty, low-income neighborhoods. Research shows growing up in better neighborhoods means better outcomes for children."

The study was presented before the House Business and Commerce Committee, chaired by Rep. Ryan Martinez, R-Edmond.

"It is always a great day when we can come together in a bipartisan manner and work together for our low income citizens to have a better opportunity for jobs and educational opportunities for their children," Townley said.

"This is exactly how it should be all day, every day."

Coronavirus information and resources for JHU

JOHNS HOPKINS MAGAZINE



SMART MOVES

Johns Hopkins sociologist Stefanie DeLuca is involved in an ambitious experiment designed to place housing voucher recipients in areas of high opportunity. More than a year into the pilot program, the early findings are striking.



A 3-year-old boy peers out at his family's apartment complex from their unit in Bellevue, Washington. His family is part of Creating Moves to Opportunity, a housing voucher experiment that encourages low-income families to move to high opportunity areas.

JOVELLE TAMAYO

Katie Pearce / Winter 2019

<https://hub.jhu.edu/magazine/2019/winter/stefanie-deluca-cmto-2499-nr-politics/>

Last year had been a fragile time for Ashley and her 5-year-old daughter, drifting without income through shelters and temporary homes around Seattle, when the word arrived: They were off the waitlist for a housing choice voucher.

With that approval came another offer. The housing authorities of Seattle and King County, Washington, were carrying out a pilot program to help voucher recipients with the legwork of finding new homes. Creating Moves to Opportunity, developed by a team of researchers including Johns Hopkins sociologist Stefanie DeLuca, would provide counseling and financial assistance through all stages of the housing search. Working directly with Ashley, a family navigator would research and suggest neighborhoods that could point her daughter toward better opportunities.

For Ashley (a pseudonym for the 35-year-old mom), CMTO's services meant the difference between shame and dignity in her rental process. She had a smear on her record that might have hurt her prospects—a past landlord claiming money was still owed—but her family navigator helped resolve the situation in court.

Ashley was among a group of 420 who participated in the pilot program between spring 2018 and spring 2019. Most were single parents, with household incomes averaging below \$20,000.

Many families, researchers found, started CMTO interested in moving to a better neighborhood but pessimistic about their chances. "There's a lot of discrimination against voucher holders, even though it's illegal, and most families have pretty spotty credit history, which becomes a deal breaker," DeLuca says.

"FOR SOMEONE WHO'S BEEN MARGINALIZED AND NOT ALWAYS TREATED WITH MUCH RESPECT, IT CAN BE A BIG DEAL TO MEET STAFF WHO SAY, 'I'M HERE TO HELP YOU MOVE TO A PLACE THAT'S GOOD FOR YOUR KIDS.'"

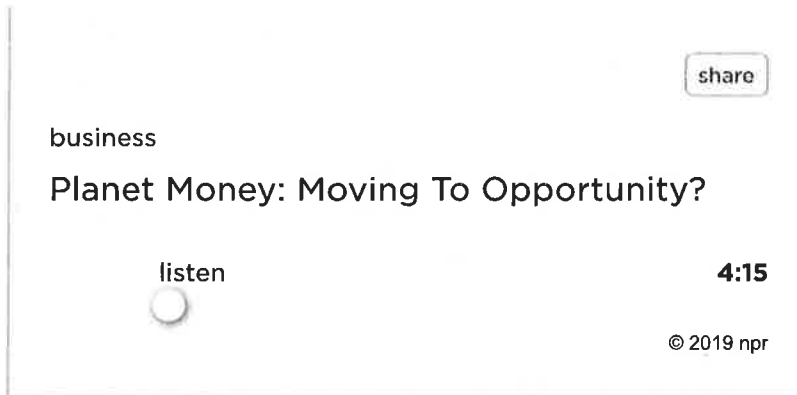
—Stefanie DeLuca
Professor of sociology and social policy

CMTO was envisioned as an intervention of sorts to the federal housing choice voucher program, which the U.S. Department of Housing and Urban Development funds and local agencies administer. The Seattle experiment intends to tackle an unintended failure of that program: its persistent segregation of poverty. Though recipients of the so-called Section 8 voucher can use it wherever they choose, with rental subsidies paid directly to the landlord, the reality is that the vast majority remain concentrated in high-poverty neighborhoods with limited opportunities.

CMTO researchers are attempting to understand why: Are families not moving because of personal preferences, or do obstacles in the rental process block them from more desirable areas? And if it's the latter, can CMTO's extra services make a difference?

"For someone who's been marginalized and not always treated with much respect, it can be a big deal to meet staff who say, 'I'm here to help you move to a place that's good for your kids,'" DeLuca says.

CMTO springs from the research of one of the nation's leading urban economists Raj Chetty and his Harvard-based institute, Opportunity Insights. With an interactive mapping tool called the Opportunity Atlas, the team can track the outcomes of children as they grow up, measuring factors like salaries, college attendance, incarceration rates, and teen pregnancies. In some cases, they've found that a move to a better neighborhood at a young age can increase one's lifetime earnings to the tune of \$200,000.



For the Seattle experiment, Chetty's team worked with the local housing agencies, along with a network of nonprofits and social scientists. From Johns Hopkins, DeLuca offered her expertise on mobility programs and landlord decision making to inform CMTO's creation and the research design. She is also leading a team of students, most based out of JHU's Poverty and Inequality Research Lab, in gathering narratives from CMTO participants.

More than a year into the pilot program, the early findings are striking: More than half of CMTO's families chose to move to areas defined as "high opportunity," where children have a historic track record of successful outcomes. That's a 40 percentage point increase versus voucher holders not offered CMTO services. Moreover, nearly 68% of those who moved to better neighborhoods reported being "very satisfied" in their new homes.

This summer, when DeLuca's team checked in on Ashley and her daughter, the two were settling into their new apartment on a hill in the Seattle suburb of Bellevue, where schools are good and crime rates low.

Where CMTO has made the critical difference, researchers found, is its individualized support —"the huge sense of relief that somebody has your back," DeLuca says. Family navigators spend hours with their clients, helping with everything from budgeting to negotiation with landlords. At the other end, CMTO builds trusting relationships with landlords themselves, addressing any concerns they may have about Section 8.

On both sides, financial protection is built into the model. For landlords, there's access to a damage mitigation fund; for tenants, money is available for circumstantial needs as they pop up. "One mom said having the \$200 to pay for rental insurance was literally the deciding factor in whether she could make the move," recalls Kiara Nerenberg, a sociology grad student at Johns Hopkins.

ALSO SEE

A Better Address Can Change a Child's Future / *New York Times*

America has a housing segregation problem. Seattle may just have the solution. / *Vox*

In Seattle, A Move Across Town Could Be A Path Out Of Poverty / *NPR*

CMTO takes lessons from similar mobility programs past and present that have attempted to increase the effectiveness of housing choice vouchers. That's a research specialty for DeLuca, who has spent years studying one Chicago model and more recently the Baltimore Housing Mobility Program. She and Chetty are also among a circle of researchers who have analyzed the long-range impacts of the sweeping HUD experiment of the 1990s, Moving to Opportunity, which relocated thousands of low-income families in five cities to higher-income neighborhoods.

The initial results of that federal program were disappointing, in terms of the economic outcomes of adults, but a second look by Chetty and his team in 2015 found that children who moved at young ages achieved more promising trajectories, including higher college attendance rates and higher earnings. DeLuca's research in Baltimore—chronicled in the 2016 book she co-authored, *Coming of Age in the Other America*—explored similar outcomes.

In the world of housing policy, the implications of CMTO's initial success are big. "A number of cities are interested in implementing mobility programs, and CMTO was always envisioned as a model to help inform those efforts," DeLuca says. Earlier this year, when U.S. Housing Secretary Ben Carson invited the Hopkins sociologist to meet with him, the CMTO findings came up as a focus.

In Seattle, where CMTO is now advancing to a second trial phase, the team from Johns Hopkins will continue interviewing participating families, tracking how they're faring. "These transcripts are a treasure trove," DeLuca says. "We've barely scratched the surface."

Posted in Politics+Society

Tagged sociology, economics, stefanie deluca, poverty, mobility, 21st century cities, housing policy, cities

COMMENTS

Community guidelines

Editor's note: We welcome your comments; all we ask is that you keep it civil and on-topic, and don't break any laws. We reserve the right to remove any inappropriate comments.

Coronavirus information and resources for JHU



POOR FAMILIES MUST MOVE OFTEN, BUT RARELY ESCAPE CONCENTRATED POVERTY

Unforeseen crises force families living in poverty to move to the safest, most convenient locations rather than to places with more opportunities and less segregation

Doug Donovan / 🕒 Oct 8

▼ MEDIA INQUIRIES

Unforeseen circumstances force low-income families to quickly move from one home to the next in a process that helps to perpetuate racial and economic segregation in the United States, research shows.

Johns Hopkins University sociologist Stefanie DeLuca analyzed 17 years of her team's field work with 1,200 low-income households in five different cities. They found that low-income families are forced by urgent crises to choose the safest, most convenient locations necessary for immediate survival rather than take the time to find neighborhoods with great schools and job opportunities. These recurrent, unpredictable shocks often include housing quality failure, housing policy changes, landlord behaviors, income changes, and neighborhood violence.

"By listening to how low-income families make their housing decisions, we can develop better policies to target what is really getting in their way of moving to higher opportunity neighborhoods with less racial and economic segregation," DeLuca said. "They're not making that move because there is seldom enough time before the next emergency arises and forces them out and demands an immediate solution."

"BY LISTENING TO HOW LOW-INCOME FAMILIES MAKE THEIR HOUSING DECISIONS, WE CAN DEVELOP BETTER POLICIES TO TARGET WHAT IS REALLY GETTING IN THEIR WAY OF MOVING TO HIGHER OPPORTUNITY NEIGHBORHOODS WITH LESS RACIAL AND ECONOMIC SEGREGATION."

—Stefanie DeLuca
Sociologist

The current pandemic will only exacerbate that pattern if evictions escalate amid record unemployment, say authors of the new paper, published this week in *City & Community*.

The findings of DeLuca and co-author Christine Jang-Trettien, a former Johns Hopkins graduate student who's now at Princeton University, demonstrate that lawmakers need to reconsider the extent to which federal, state, and local policies make assumptions about how low-income families decide where to live and where to send their children to school. Decision-makers often assume that personal preferences and structural impediments such as racial discrimination in housing markets are the primary impediments to reducing segregation by income and race.

The researchers found that people who experience a lifetime of exposure to economically disadvantaged and racially segregated schools and neighborhoods make repeated reactive moves without first considering options for school.

DeLuca and her team conducted interviews over 17 years in Baltimore, Seattle, Cleveland, Dallas, and Mobile, Alabama. They revealed how shocks that lead to reactive decision-making

affect whether to move, where to move, what schools to choose and whether to rent or own. Residents shared that they did not have the luxury of waiting for the "package deal" of a home in a high-opportunity community. Instead, time and again, they took a "trial and error approach" that they hoped would improve their housing and school situation.

The federal government is already incorporating insights from the research into developing policies that could help support families' ability to choose higher opportunity areas that have been proven to improve physical and mental health and end the cycle of poverty by exposing children to better schools and more jobs.



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Smart moves

Johns Hopkins sociologist Stefanie DeLuca is involved in an ambitious experiment designed to place housing voucher recipients in areas of high opportunity. More than a year into the pilot program, the early findings are striking.

The U.S. Department of Housing and Urban Development is currently considering applications from public housing authorities through December for a test program that seeks to expand on findings from public housing authorities in Seattle and King County, Washington. Pilot programs there show families with federal housing subsidies are often forced to live in higher poverty areas because of barriers, including "inadequate time to find a unit," not preferences.

The program is building upon research highlighted by DeLuca in this paper and other work conducted collaboratively with colleagues at Harvard University, the Massachusetts Institute of Technology, and Columbia University.

"The COVID-19 pandemic has deepened the already existing housing crisis in the United States; with unemployment rates more than tripling in the first three months of the pandemic, an enormous eviction wave looms on the horizon," the paper states. "As more families are forced to make 'reactive' moves under duress and financial constraints, our research has potential to highlight the consequences for households and neighborhoods, as well as provide guidance on how to respond to such a fast-moving crisis."

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