

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

Tuesday, January 19, 2021

I. CALL TO ORDER

The telephonic meeting of the King County Housing Authority Board of Commissioners was held on Tuesday, January 19, 2021 at 700 Andover Park West, Tukwila, WA 98188. There being a quorum, the telephonic meeting was called to order by Chair Doug Barnes at 8:30 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).

III. PUBLIC COMMENT

No public comment.

IV. APPROVAL OF MINUTES

- A. Board Meeting Minutes – December 21, 2020
- B. Board Meeting Minutes – December 30, 2020
- C. Board Meeting Minutes – January 5, 2021
- D. Board Meeting Minutes – January 7, 2021

On motion by Commissioner Susan Palmer and seconded by Commissioner TerryLynn Stewart, the Board unanimously approved the December 21, 2020, December 30, 2020, January 5, 2021, January 7, 2021 Board of Commissioners' Meeting Minutes.

V. APPROVAL OF AGENDA

On motion by Commissioner Susan Palmer with a friendly amendment to move the Risk Management Presentation to B. under VII. Briefings & Reports and seconded by Commissioner TerryLynn Stewart, the Board unanimously approved the January 19, 2021 telephonic Board of Commissioners' meeting agenda with the friendly amendment.

VI. CONSENT AGENDA

On motion by Commissioner Michael Brown and seconded by Commissioner TerryLynn Stewart, the Board unanimously approved the January 19, 2021 telephonic Board of Commissioners' meeting consent agenda.

VIII. BRIEFINGS AND REPORTS

- A. Briefing on Amazon Partnership

Dan Watson, Deputy Executive Director/Chief Development Officer reported the details of the Amazon partnership.

Amazon is investing two billion dollars nationally. Part of that commitment is \$185 million in loans and other incentives to KCHA. Discussions with Amazon started over a year ago as they are locating/relocating 25,000 employees in the Bellevue area alone, greatly impacting the eastside housing market. Amazon is attempting to mitigate some of those impacts.

The arrangement includes to 1000 units of housing. 470 units already acquired can be included as part of the target of 1000 units and include Hampton Greens, Pinewood Village and Illahee Apartments.

There are some resident income limitations that are being discussed.

Credit goes to Tim Walter who spent an enormous amount of time with Amazon educating on how our housing models work, what is possible and what is not possible. The details are fairly complicated.

Questions of Commissioners' were answered.

B. Risk Management Presentation

Ginger Peck, Risk Manager gave the 2021 Insurance Program presentation to the Board covering a wide array of topics related to property and liability insurance claims history and rate projections for the future.

Questions of Commissioners' were answered.

C. Update on HUD COVID-19 Waivers

Judi Jones, Director of Housing Initiatives gave an update on the status of various programmatic waivers.

During the March 2020 Board meeting, Resolution 5652 was approved to provide staff with the flexibility to waive (or modify) KCHA policy and program requirements when such action was identified as necessary in light of the ongoing COVID-19 pandemic. There are currently 63 policy changes.

HUD Waivers are made possible through authority provided under the CARES Act. Use of these policy waivers, which address policy and reporting changes for our Public Housing, HCV and PBS8 programs, expire, for the most part, on June 30, 2021 unless extended by HUD.

Remaining items address modifications of discretionary KCHA policies and procedures

or changes implemented using flexibility provided under KCHA's MTW program. As identified, such changes may remain in effect (as determined necessary) throughout the term of the current pandemic.

These changes have proven vital to KCHA's ability to maintain effective, efficient operations while addressing the need to help ensure resident, staff and community health and safety.

D. Third Quarter CY 2020 Executive Dashboard Report

Andrew Calkins, Manager of Policy and Legislative Affairs explained the Executive Dashboard Report for the Third Quarter CY 2020.

Revenue exceeded budget by just over 0.7% due to the receipt of CARES ACT funding which was not budgeted at the beginning of the year.

Expenditures lagged budget projections due to slower than average spending on maintenance contracts and development projects due to the pandemic.

There were multiple positive trends, and shopping success has remained 75-80%. There have not been a lot of vouchers issued, We haven't issued, but the ones that we have had success in leasing up.

Questions of Commissioners' were answered.

E. Third Quarter Financial Report

Windy Epps, Interim Director of Finance, gave details on the financial report.

Third quarter financial performance in 2020 was strong as both operating income and expenses reflected favorable variances compared to budget. Cash reserves remain solid.

Net operating income exceeded initial 2020 budget projections, with operating revenues above target and operating expenses below. Most of the positive revenue variance came from federal CARES Act funding.

Questions of Commissioners' were answered.

F. New Bank Accounts

Craig Violante, Interim Deputy Executive Director - Chief Administrative Officer reported the new bank accounts.

G. Fourth Quarter Procurement Report

Craig Violante, Interim Deputy Executive Director - Chief Administrative Officer gave

the procurement report for the fourth quarter CY 2020.

We had 11 new contracts that were awarded.

X. EXECUTIVE DIRECTOR REPORT - Jan 19, 2021

Executive Director Norman echoed the Board's praise for Dan Watson and Tim Walter for their work in developing the partnership with Amazon. He noted that KCHA was successful in closing the Pinecrest Village and Illahee Apartments transactions by the end of December. Both properties are now in Housing Authority ownership.

Moving forward he identified two challenges:

- The first is in successfully acquiring the 530 additional units envisioned under the Amazon agreement. There is a diminishing pool of older, still affordable apartment complexes on the Eastside and acquisition prices are continuing to rise. This will be a major focus for our acquisitions and asset management group over the next year.
- Assuming we are successful getting these units into KCHA ownership, where do we go from here? Do we continue to expand? While the debt coverage ratios are anticipated to remain strong and we have sufficient cash flow to pay this debt, how much additional debt do we feel comfortable taking on and what impact would further acquisitions have on our S&P rating evaluations? There is also the downstream rate risk 20 years from now when we need to refinance this debt. All of these issues roll into an interesting discussion of where we go from here. Right now we are one of the largest residential property owners in the Pacific Northwest with over 11,500 units. Are there geographic risks in being concentrated in one market that we need to acknowledge? These are discussions the Board and staff will need to have as we look beyond the Amazon acquisitions.

On the COVID-19 front, Mr. Norman noted KCHA's current focus on two major issues:

- Vaccinations - we have an extensive client base of elderly and/or disabled households in our Federally subsidized programs that we know from two years of research with the Department of Health have high rates of co-morbidity. This is clearly a high-risk population. Many of these households are also concentrated in neighborhoods with the highest levels of community spread. We are currently in conversations with the Dept. of Health to see how we can accelerate access to vaccinations for our most at-risk clients and for our front line staff. The regional vaccination delivery system is still very much a work in progress. This will be a major focus over the next few months.
- Housing Stability - Current eviction moratoriums will eventually expire. KCHA is working to assure housing stability for our program participants.

1) HCV Program – We are reaching out to landlords and tenants to identify households who are in arrears on their rent obligations. One tool will be the rental assistance money approved by Congress in December. The COVID-10 Relief Bill provided \$25 billion to states, counties and larger cities to use for rental assistance. We need to make sure we are connecting our clients to this assistance once it becomes available. We also need to work with landlords on how they are structuring repayment plans.

2) Asset Management/Workforce Properties – KCHA is working to connect residents to rental assistance and moving to develop reasonable repayment plans.

KCHA's offices remain closed and we continue to emphasize health safety protocols for staff and residents. We are also ramping up self-care support for our employees. This is an enormously stressful period for everyone involved. Staff are doing a terrific job.

The news out of Washington DC on the budget front is good.

Housing Choice Voucher renewal funding came in at a higher proration than we projected in the budget. We are still analyzing the proration levels for the other HUD funding lines. Once we have completed this assessment we will come back to the Board with revised revenue projections which will be reflected in the mid-year reforecast of the budget.

In other good news on the budget front, a rate floor has been established for the 4% Low Income Housing Tax Credit. This will increase the value of the equity that tax credit investors will put into these deals. This is particularly good news for KCHA's Trailhead project currently under pre-development in Issaquah.

The recent agreement with Amazon is structured to cover the ongoing amortization of a portion of the debt on the Hampton Greens property, which was purchased by KCHA in 2019. As that property's cash flow is not sufficient to fully cover acquisition costs, KCHA assumed a \$1.5 million annual payment from general revenues over the 20 year life of the bonds. We assumed at the time that we would be successful in finding an alternate financing vehicle. Once we have completed acquisition of the 1,000 units being financed under the Amazon agreement, this portfolio's cash flow will be sufficient to cover this \$1.5 million annual obligation without needing to dip into general revenues. This should save KCHA approximately \$30 million over the term of the bonds.

The Asset Management Department is watching the accounts receivable on our unsubsidized workforce housing properties closely. On our recent Eastside acquisitions, such as Hampton Greens, where rents are closer to market than in properties that we have owned for longer periods of time, we are also seeing vacancy rates climb. Based upon industry projections we anticipate that this will turn around over the next year and feel we have sufficient slack built into our 2021 revenue projections.

Mr. Norman also briefed the Board on the Authority's MLK Jr. Day celebration. Over 240 staff participated. He noted deep appreciation for both the REDI team's active engagement

and good work in putting this hour-long program together, and for Commissioner Brown's participation. Commissioner Brown provided an overview of where we are as a community on racial issues that was very much appreciated and well received by staff. Mr. Norman reported that he feels that there is strong momentum moving forward on the equity initiatives that the Board has discussed.

Mr. Norman reported that he is continuing to talk to the Biden/Harris Transition Team about priorities for the incoming administration. The new administration, across the board, is focused on four big issues: the pandemic; economic recovery; equity issues; and climate change. One key agenda point is funding for universal housing choice vouchers – making housing assistance an entitlement where everyone who qualifies receives assistance.

This would require a fourfold increase of the number of vouchers. Full implementation would be a very big ticket item budget item, but this commitment reflects an emerging awareness nationally that safe affordable housing is a fundamental necessity that underpins much of what this administration wants to accomplish through its social agenda.

Questions of the Commissioners were answered.

XI. KCHA IN THE NEWS

None.


XII. COMMISSIONER COMMENTS

None.

XIII. ADJOURNMENT

Chair Barnes adjourned the meeting at 9:59 a.m.

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



DOUGLAS J. BARNES, Chair
Board of Commissioners



STEPHEN J. NORMAN
Secretary