

THE HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5458

**ACKNOWLEDGING RECEIPT OF THE POST AUDIT REPORT FOR
THE PERIOD JANUARY 1, 2012 THROUGH DECEMBER 31, 2012**

WHEREAS, the State of Washington, Office of the State Auditor, Division Audit Services, has conducted an Accountability Audit of the Housing Authority of the County of King for the period January 1, 2012 through December 31, 2012 and has transmitted same to the Housing Authority; and

WHEREAS, a formal acceptance of the Audit is required by the Board of Commissioners;

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

Receipt of the official Accountability Audit Report No. 1011240 of the Housing Authority of the County of King for the period January 1, 2012 through December 31, 2012 prepared and transmitted for filing by the State Auditor's Division of Municipal Corporations pursuant to RCW 43.09.260, is hereby acknowledged and formally accepted by the Board of Commissioners of the Housing Authority of the County of King.

ADOPTED BY THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE COUNTY OF KING AT AN OPEN PUBLIC MEETING THIS 17th DAY OF MARCH 2014.

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



Doug Barnes, Chair
Board of Commissioners



Stephen J. Norman
Secretary

Washington State Auditor's Office

Accountability Audit Report

Housing Authority of the County of King (King County Housing Authority)

Report Date
January 31, 2014

Report No. 1011240

Issue Date
February 10, 2014



WASHINGTON
TROY KELLEY
STATE AUDITOR



**Washington State Auditor
Troy Kelley**

February 10, 2014

Board of Commissioners
King County Housing Authority
Tukwila, Washington

Report on Accountability

We appreciate the opportunity to work in cooperation with your Housing Authority to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role to advocate for government accountability and transparency and to promote positive change.

Please find attached our report on the King County Housing Authority's accountability and compliance with state laws and regulations and its own policies and procedures. Thank you for working with us to ensure the efficient and effective use of public resources.

Sincerely,

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

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Audit Summary

King County Housing Authority January 31, 2014

ABOUT THE AUDIT

This report contains the results of our independent accountability audit of the King County Housing Authority from January 1, 2012 through December 31, 2012.

We evaluated internal controls and performed audit procedures on the activities of the Housing Authority. We also determined whether the Housing Authority complied with state laws and regulations and its own policies and procedures.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. The following areas were examined during this audit period:

- Low-income occupancy requirements
- Payroll/personnel

RESULTS

In the areas we examined, the Housing Authority's internal controls were adequate to safeguard public assets. The Housing Authority also complied with state laws and regulations and its own policies and procedures in the areas we examined.

Related Reports

**King County Housing Authority
January 31, 2014**

FINANCIAL

Our opinion on the Housing Authority's financial statements and compliance with federal grant program requirements is provided in a separate report, which includes the Housing Authority's financial statements.

FEDERAL GRANT PROGRAMS

We evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the Housing Authority's major federal programs, which are listed in the Federal Summary section of the financial statement and single audit report.

Description of the Housing Authority

King County Housing Authority January 31, 2014

ABOUT THE HOUSING AUTHORITY

The Housing Authority of the County of King, doing business as King County Housing Authority, was created in 1939 in response to the Federal Housing Act of 1937. The Housing Authority's jurisdiction encompasses an area exceeding 2,134 square miles throughout King County, except within the cities of Seattle and Renton, which have their own housing authorities. The Housing Authority operates out of a central office in Tukwila and several other offices throughout the county. The Housing Authority's purpose is to provide housing assistance to low-income households.

A five-member Board of Commissioners governs the Housing Authority. Commissioners are appointed by the King County Executive and confirmed by the King County Council to serve five-year terms. The Board appoints management to oversee the Housing Authority's daily operations as well as its approximately 320 employees. For fiscal year 2012, the Housing Authority operated on an annual budget of approximately \$177 million.

ELECTED OFFICIALS

These officials served during the audit period:

Board of Commissioners:

Nancy Holland-Young, Chair
Doug Barnes
Richard Mitchell
Michael Brown
Terry McLlarky

APPOINTED OFFICIALS

Executive Director
Finance Director

Stephen Norman
Craig Violante

HOUSING AUTHORITY CONTACT INFORMATION

Address: King County Housing Authority
600 Andover Park West
Tukwila, WA 98188-3326

Phone: (206) 574-1274

Website: www.kcha.org

AUDIT HISTORY

We audit the Housing Authority annually. We have reported no findings in the last six audits.



ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

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Director of Local Audit
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Doug Cochran
Chuck Pfeil, CPA
Kelly Collins, CPA
Jan M. Jutte, CPA, CGFM
Sadie Armijo
Mark Rapozo, CPA
Barb Hinton
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(866) 902-3900

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KING COUNTY HOUSING AUTHORITY

TO: Board of Commissioners
FROM: Tim Walter
DATE: March 11, 2014
RE: **Resolution No. 5459:** Authorizing KCHA to make a loan to DASH (Downtown Action to Save Housing) in a not-to-exceed amount of \$425,000 in order for DASH to acquire the investor limited partner's 99.99% ownership interest in Ashwood Court Apartments to preserve the long-term viability and affordability of the project.

Summary

Resolution No. 5459 authorizes KCHA to make a short-term loan in a not-to-exceed amount of \$425,000 to Downtown Action to Save Housing (DASH), a local non-profit housing developer/operator, in order for DASH to purchase the investor member's 99.99% leasehold interest in the Ashwood Court Associates limited partnership and to pay costs associated with the acquisition including real estate excise tax, legal and loan fees and other related expenses. Immediately upon DASH's acquisition of the investor's interest in the partnership, DASH will refinance and re-syndicate the property to a new low-income housing tax credit partnership in order to generate revenues sufficient to refinance the existing debt (\$1.15 million loan to Anchor Bank, \$235,000 loan to ARCH and \$425,000 loan to KCHA) and complete approximately \$1.3 million in repairs and upgrades to the property. The re-syndication of the property will ensure the property continues to be preserved as affordable for low and very-low income seniors for an additional 40 years.

The loan to DASH is essential to preserve the long-term affordability of the Ashwood Court Apartments. The loan is consistent with KCHA's mission to preserve the availability of low-income housing. The revenue generated by the re-syndication will provide repairs and improvements to the property and ensure the long-term viability of the project and the loan will provide for improved investment return rates to KCHA.

Background

In 1998, DASH formed the Ashwood Court Associates limited partnership, for the purpose of developing a 51 unit tax-credit apartment building located at 11018 NE 11th St in Bellevue. It has 26 units set aside for extremely low-income seniors (incomes less than 35% of the AMI) 24 units set aside for low-income seniors (incomes less than 60% of the AMI) and one manager's unit. The project was built using proceeds from the sale of low-income housing tax credits to the investor member, Midland Corporate Tax Credit IV Limited Partnership and loans from Anchor Bank, the City of Bellevue and the Washington State Housing Trust Fund.

As of January 2014, the project completed the 15th year of its tax credit compliance period and the investor limited partner has agreed to exit the partnership. Under the terms of the existing partnership agreement, DASH does not have Right of First Refusal but the investor limited partner has agreed to sell its interest to DASH for \$300,000. The current outstanding indebtedness of the property is approximately \$1.85 million and the value of the property is estimated at \$4.6 million. The opportunity for DASH to acquire the investor limited partner's interest for \$300,000 represents an exceptional opportunity to secure the long-term preservation of affordability as well as the long-term viability of the Ashwood Court Apartments. The excise tax associated with the transaction is estimated at \$82,500.

Resyndication

The low-income housing tax credit program allows properties that have completed an initial 15 year low-income use restriction period to be re-syndicated. The re-syndication provides for the initial tax-credit investor to exit the original partnership and for a new partnership to be created. The new partnership generates tax credits based on the sum total of the current value of the property plus new improvements made to the property. The tax credits generated by the re-syndication are able to be sold to a new investor member. The revenue raised by the sale of the tax credits to the new investor member plus the new financing secured by the property will generate proceeds sufficient to pay off the original debt (including the loan from KCHA), pay for the improvements at the property and provide a developer fee for DASH. The re-syndication plan for Ashwood Court developed by JH Brawner & Associates is attached.

Loan and Terms

The loan and terms are as follows:

Loan Amount:	Not to exceed \$425,000.00
Term:	Payment due at closing of the new partnership (estimated closing 10/1/2014). However, if not sooner paid, the loan shall be due in full 3/1/2015.
Interest Rate:	5%
Security:	Pledge of DASH's ownership interest in and any and all other DASH related ownership interest in Ashwood Court Associates as lessee of the Ashwood Court Apartments. Security interest shall also include a leasehold deed of trust in the Ashwood Court Apartments to the extent permitted by the underlying existing financing.
Fee:	\$10,000 origination fee.

Risks and Risk Mitigation

Failure of DASH to secure an investor and re-syndicate the development. Based on current cash flow, debt coverage ratio and loan to value projections, there is sufficient equity for DASH to re-finance Ashwood Court and repay KCHA even if DASH were not able to re-syndicate the property as a 4% low-income housing tax credit development. DASH's financial consultant, JH Brawner & Associates has also informed KCHA they have already received two notifications of

interest from potential equity investors of their interest to participate in a re-syndication of the property.

Failure of DASH to repay KCHA as required. KCHA will receive, as a condition of the loan, a pledge from DASH of its ownership interest in Ashwood Court. If DASH does not repay KCHA as required, KCHA will have the right to assume DASH's leasehold interest in the project and take direct ownership of Ashwood Court.

Failure of DASH to repay KCHA and KCHA does not take ownership of the Ashwood Court Associates limited partnership. KCHA will be secured by a leasehold deed of trust and will remain on title as a secured lender in a subordinate position to the existing lenders. The total of the existing underlying debt is less than \$2 million and the estimated market value of the property is in excess of \$4.5 million. There is more than sufficient equity in the project to secure KCHA's leasehold deed of trust.

Passage is recommended.

A Strategic Repositioning Plan for the Preservation of Affordable Housing

A LIHTC Re-Syndication Development

**Ashwood Court Apartments
11018 NE 11th Street, Bellevue, WA**

Prepared for:



Downtown Action to Save Housing

Prepared by:



March 8, 2014

A STRATEGIC REPOSITIONING PLAN FOR THE ASHWOOD COURT APARTMENTS

AN OUTLINE FOR FINANCIAL SUSTAINABILITY INCLUDING DELIVERY PLAN, FINANCIAL STRATEGIES AND ASSUMPTIONS

The purpose of this financing constructability review is to describe the project in a manner that key elements are defined, options are clear, risks are identified such that the decision makers are able to provide direction as to the final development strategy.

Today, especially considering the current market volatility, a financing strategy that details the issues as well as includes strategic options for financing are critical. This report seeks to explain and define those issues as it relates to project schedule, revenue and expense assumptions, construction budgets, short and long-term debt and federal low-income housing tax credits.

I. PROJECT SUMMARY

Introduction

Downtown Action to Save Housing (“DASH”) a respected nonprofit provider of housing was founded in 1991 to preserve affordable housing in Bellevue, Washington and the surrounding Eastside communities. DASH has successfully created, preserved or renovated thirteen projects containing over 1,000 units of affordable housing for residents of King County. One of these projects, Ashwood Court was developed as a LIHTC project in 1997 in downtown Bellevue. The project consists of 51 units of housing, serving independent seniors 62 and older. Now that the project is at the end of its 15-year compliance period (Dec 2013), DASH is moving forward with a tax credit re-syndication of the development. Depending upon certain structure issues, DASH would sell the project to a tax credit partnership in which DASH would be the managing member of an LLC.

The basic objective of this plan is to develop a workable plan to stabilize the property long-term, both financially and physically. The specific relief provided in this re-syndication plan is based on a thorough analysis of the project, considering the tenant mix, availability of funds to address the physical and financial needs of the project and examination of the project’s market area. This restructuring plan attempts to address the following objectives:

- A. To protect the long-term financial interest of all interested parties and ensure that the project can continue to be a viable operation.
- B. To stabilize the project’s physical and financial hurdles to ensure that an acceptable living environment is maintained for the residents.
- C. To provide the platform to support the investment of additional capital to address the project’s physical and financial goals.

Physical Description

The Ashwood Court Apartments, located at 11018 NE 11th Street, Bellevue and includes 51-units which offers affordable housing units to low and very low income elderly residents. Unit mix consists of studios, one and two-bedroom units in a single mid-rise, three story building. The project was constructed by the existing tax credit partnership in 1987



Unit Breakdown

Unit Type	No. of Units	Unit Mix % Total	Unit Sq. Ft.
STUDIO	2	3.92%	450
ONE BDRM, 1 BATH	34	66.67%	605
TWO BDRM, 1 BATH	15	29.41%	800

A specific plan is a vital tool for the systematic implementation of the general development plan. It effectively establishes a link between implementing policies of the general plan and the individual development proposals in a defined area. Specific plans and options related to various key development categories are described below.

II. OWNERSHIP STRUCTURE

DASH is currently the General Partner of the tax credit partnership as in the process of exercising an Option to acquire the limited partner's interest in the project. Under the proposed financing plan, DASH is anticipating forming another tax credit partnership to acquire, own and operate the Ashwood Court project ("Project"). As consideration, the new LIHTC LLLP will pay DASH/existing partnership an amount equal to the fair market value of the Project as restricted under the LIHTC guidelines.

The property will continue to have a long-term property tax-exemption due to the fact that the property is operated for the elderly.

III. Affordability

The current affordability requirements at the project which are a part of the initial regulatory agreement with the WSHFC will continue at the project under the new 4% credit deal. Under the existing WSHFC

Regulatory Agreement, the minimum affordability at the Project will continue to be 50% of the units at 35% of the area median income and 50% of the units at 60% of median income.

IV. Development Sources & Uses

Project Development Costs have been based on a combination of factors including those typical cost attributed with LIHTC transactions, preliminary capital needs assessments and those cost related to the issuance of bonds and other debt instruments.

Ash Wood Court Bellevue	
BUDGET TRACKING SCHEDULE	
SOURCES	Permanent Budget
Private Placement Permanent Bond	\$2,500,000
Tax Credit Equity	\$2,101,521
DASH Loan #2 (Seller Financing)	\$2,955,000
DASH Loan #1 (Deferred Developer Fee)	\$473,010
Funding Gap	\$0
Total Budget Sources	\$8,029,531
USES	Permanent Budget
Accounting	\$12,500
Appraisal & Market Studies	\$15,000
Architectural & Engineering	\$47,810
Building Acquisition	\$4,781,008
Construction Consulting	\$47,165
Construction Management	\$77,400
Developer Administrative - General	\$13,043
Developer Administrative - Overhead/Fee	\$1,000,000
Environmental	\$7,500
Financial Consulting	\$125,000
Financing Cost - Other	\$17,500
Interest Cost	\$54,225
Legal - Debt	\$55,000
Legal - Partnership	\$55,000
Legal - Other	\$50,000
Lender Loan Fees	\$71,250
Multi-Family Construction	\$1,290,000
Owner Contingency	\$50,000
Permits & Fees - Vertical	\$23,116
Pre-Construction Services	\$20,000
Reserves - Project	\$160,000
Surveys	\$5,500
Tax Credit Fees	\$28,333
Title & Closing	\$23,181
Total Budgeted Cost	\$8,029,531

Development Cost Guidelines

Projected cost associated with the development of the Project are based on budgeted allowances attributable to the type of financing being used, project size, location, tenant demographics and the property condition report.

Accounting:	An allowance of \$12,500 has been budgeted for accounting related services, including general consulting, initial audit work and cost certification all of which is to be included in the partnership cost basis. The entire amount is estimated to be included in tax credit basis.
Appraisals & Market Studies:	An allowance of \$15,000 has been assumed for appraisals and market studies. It is assumed that appraisals will be ordered by the lender for financing purposes and also by DASH to determine the fair market restricted value for acquisition purposes. In addition, a market study to be provided as part of the tax credit application is assumed as well.
Architectural & Engineering:	A&E has been estimated at \$47,000, which is approximately 2.00% of the hard repair/renovation cost. The A&E scope will be limited to specific work which will require design and/or engineering related work. In addition, A&E assistance will be required as part of the process to include energy efficient and green technology in the Project.
Building Acquisition:	<p>The current estimated Fair Market Rent as Restricted is approximately \$4,775,000. This valuation will be substantiated in an appraisal to be completed. The valuation is estimated using the lesser of market rents or those rents at 35% and 60% of median income (per WSHFC requirements). Expenses are estimated based on current market expenses for these type of projects on the east side. The corresponding NOI is then divided by a market capitalization rate, estimated in this case to be 5.40%.</p> <p>\$923,000 of the above amount is currently estimated to the value of the land as if unimproved.</p> <p>The balance of the Acquisition related cost of approximately \$6,000 is related to the sales tax that will be due on the estimated amount of personal property to be allocated within the acquisition cost.</p>
Construction Management:	A fee of 6% of the construction budget has been set-aside for a third-party Owner's Representative consultant.
Construction Consulting:	This category includes an allowance for third-party monthly draw inspections by both the lender and the LIHTC investor. Additionally, approximately \$47,165 in funds have been budgeted for other third-party consultants who would not be part of the A&E contract and would include but not be limited to roofing consultants, energy consultants, waterproofing consultants, mechanical consultants, etc.
Developer Administrative – General:	\$13,000 as travel, plan reproduction, office supplies related to the Project, deliveries, etc.
Developer Administrative – Fee:	\$1,000,000 has been estimated as the developer fee to be earned by DASH. This amount represents approximately 14.50% of the development budget. \$193,000 of

this amount is assumed to be allocated to the land cost and as such is not included in tax credit eligible basis.

100% of the fee will be earned at completion of construction. Current model projections estimate that approximately 52% of the total fee will be paid in cash to DASH at time of the final tax credit equity pay-in. The balance of the fee not paid in cash will be deferred and paid from available cash flow from operations within ten-years of the fee being earned.

Environmental:	Reports related to environmental surveys have been estimated at \$7,500, which will be a requirement of both the lender and LIHTC investor.
Financial Consulting:	\$125,000 has been budgeted for technical assistance with the development of the renovation work, of which 100% is assumed to be in basis. Work includes oversight with respect to the LIHTC, financing, investor liaison, lender requirements, partnership structuring, project cost tracking and modeling, cost certification and input related to renovation.
Interest Cost:	Interest on the various interim loans, which excludes the permanent tax-exempt loan which is paid from project operations, will equate to approximately \$54,000. Interest on the tax credit equity bridge are included. That interest which is paid up until the renovation is completed is capitalized and included in tax credit eligible basis, while the remaining interest through the equity pay-in is also capitalized in the budget but it is expensed for tax purposes and excluded from tax credit basis.
Legal:	Legal related work has been estimated at \$160,000 and includes counsel related to partnership counsel; lender legal related to the tax credit equity bridge line and the permanent bonds.
Lender Loan Fees:	Lender loan fees have been budgeted at \$71,250 and includes a 1.50% fee on the permanent bonds and the equity bridge line of credit.
Multi-Family Construction:	The total construction budget is estimated at \$1,290,000. The base "hard" cost have been estimated at \$975,000 (including sales tax). Additional cost attributed to the construction/repair cost are roughly \$97,000 in general conditions, \$97,000 in profit and 10% contingency estimated at \$121,000. State prevailing wage rates will be assumed at the Project.
Owner Contingency:	Approximately \$50,000 has been budgeted for unforeseen cost related to non-construction related work.
Permits:	An allowance of \$33,000 has been set-aside for permits related to the project repairs.
Pre-Construction Services:	Pre-Construction Services include the cost related to the Physical Needs Assessment, third-party unit inspections, bidding and related work in the estimated amount of \$23,100.
Reserves:	Operating reserves have been estimated at approximately six months of annual operating expenses, or \$110,000. In addition, a capitalized \$50,000 reserve is assumed for Replacement Reserves.
Tax Credit Fees:	Tax Credit Fees have been estimated at approximately \$28,000 and include an application fee equal to \$26 per housing unit and 12.53% of the total first year credit reservation amount.

Title & Closing: Title and Closing have been estimated at \$23,000 and include cost related to Owner's and Lender's title policy, endorsements required by the LIHTC investor and general closing cost.

Determination of Key Project Funding Revenues

Below is a schedule of the anticipated revenue sources and how those amounts have been determined.

Tax Credits The partnership anticipates that it will generate approximately \$215,000 in annual low-income housing tax credits. DASH will seek competitive proposals from various tax credit investors to make an investment in the Project.

Eligible Basis:	The un-adjusted eligible basis for the project has been estimated at \$45,080,000.
Ineligible Grants/Loans:	none
High Cost Area:	The project is not located in a Qualified Census Tract
Qualified Basis:	Based on the adjustments, the project has an adjusted qualified basis of \$6,531,000
Applicable Percentages:	The applicable percentages used in the financial analysis are calculated at 3.30% for the 4% credit.
Credit Amount:	The assumed ten-year credit amount is equal to \$2,149,000, or \$215,000 per year over the ten year credit period.
Equity Contribution:	Estimated at approximately \$2,101,521, or \$.975 per tax credit dollar for 99.99% of the total credit allocation.
Limited Partner Entry Date:	The Tax Credit Partner is expected to enter into the partnership at closing or approximately October 2014.
Contribution Timing:	The financial projections assume that the equity contribution is based on a staggered pay-in of \$200,000 at closing; two months after completion of renovations (PIS) an amount equal to \$1,200,000 and the balance in July of 2016
Credit Delivery:	The Partnership projects to deliver tax credits to the Tax Credit Limited Partner as follows:

		Dollar Amount	Percent of Annual
Credits Delivered in	2015	\$215,541	100.00%
Credits Delivered in	2016-2024	\$1,939,869	100.00%

Debt: To receive an allocation of 4% tax credits, a project must fund 50% of its adjusted project cost with private activity bonds. It is anticipated that King County Housing Authority as issuer of the bonds, will issue approximately \$4,600,000 in tax exempt bonds, which is approximately equal to 59% of the adjusted total project cost. To meet this 50% bond test, the partnership is anticipated to have the following debt structure.

Long-Term Tax-Exempt Debt

The financial projections assume that approximately \$2,675,000 in long-term, private-activity tax-exempt bonds will be sold via a private placement. Alternate financing plans were explored and included HUD FHA 223(f), Fannie Mae Tier IV and Freddie Mac financing, however; due to the relatively small loan amount as a percentage of total development cost and the complexity associated with the other financing alternatives, a private placement of the debt appeared to be the most feasible alternative. Additionally, the projected NOI and related Debt Coverage Ratio is such that a private placement would most likely be appealing to a regional bank seeking CRA credit.

Issuer:	King County Housing Authority
Lender:	To be Determined
Amount:	\$2,500,000
Term:	17-years
Amortization Period:	35 years
Interest Rate:	modeling assume 6.25%, fixed
Guarantee:	Non-Recourse
Debt Coverage Ratio:	1.25

** It is anticipated that the loan will be interest-only through December 2015.*

Equity Bridge Loan:

To assist in meeting the 50% bond test, the financial model assumes that the partnership will obtain a tax-exempt equity bridge loan for the Project to bridge a portion of the anticipated deferred equity contribution. As stated earlier in the report, the majority of the tax credit investor equity is anticipated to be contributed after placed-in-service date. The purpose of this extended pay-in is to not only increase the amount of equity the investor partner is willing to contribute but to provide a mechanism by which additional tax exempt debt could be issued to meet the 50% test.

Issuer:	King County Housing Authority
Lender:	To be Determined (same institution as permanent loan)
Amount:	\$2,100,000
Term:	32-months
Amortization Period:	N/A, interest only
Interest Rate:	variable based on one-month libor, assumed to be 4.25% in model
Guarantee:	DASH
Debt Coverage Ratio:	N/A

**Loan is assumed to be non-revolving. The loan is anticipated to be repaid with tax credit equity after PIS in December of 2015 and the balance with the final equity pay-in, July of 2016.*

DASH Seller Note:

Assuming an estimated acquisition payment related to the value of the project of approximately \$4,775,000, DASH is anticipated to loan back to the partnership an amount equal to \$2,955,000. At closing, DASH will lend approximately \$2,500,000 of this amount with the remaining balance of \$455,000 being loaned back to the partnership in December 2015 when the project is placed-in-service.

Lender:	DASH
Amount:	\$2,955,000
Term:	50-years
Amortization Period:	N/A, subject to available cash flow
Interest Rate:	fixed at the greater of 3.50% or AFR at time of closing
Guarantee:	N/A
Debt Coverage Ratio:	N/A

Deferred Developer Loan:

DASH is projected to earn approximately \$1,000,000 in developer fees, which equates to 14.50% of the total development cost. It is estimated that DASH will receive approximately \$522,000 in cash at the final equity pay-in (April 2016) and defer the remaining \$478,000, which shall be paid from available cash flow.

Lender:	DASH
Amount:	\$473,000
Term:	N/A
Amortization Period:	N/A, subject to available cash flow
Interest Rate:	0%

**Based on current cash flow projections, deferred developer fee loan will be repaid by 2026 (12-years from date in which fee was earned).*

V. Construction

DASH is in the process of completing in-depth inspections of the interior units and common areas at both developments and is in the process of completing a detailed scope of work and specifications for the project.

Construction/renovation is anticipated to take place over a 10-month period from November 2014 through September 2015. No existing residents located at the project will be required to either temporarily or permanently relocate.

The overall construction budget is estimated at \$1,290,000, or \$25,300 per unit, which includes general conditions, sales tax, profit and 10% contingency. The partnership will utilize a General Contractor to complete the construction under a guaranteed maximum price contract.

Based on initial inspections of the developments, the following is a schedule of repairs and upgrades to be completed as part of the renovation work.

Bakerview Development

- Roofing
- Interior unit cabinets/counters
- Interior unit carpet/vinyl
- Corridor floor replacement
- Exterior Painting/Common Area Painting
- Landscaping
- Community Room Improvements
- Upgrade kitchen appliances
- New plumbing fixtures (kitchen and bath sink, low flow toilets, shower heads, kitchen and bath faucets)

Exterior, corridor and unit lighting upgrades
 Upgrade security system video
 Upgrade automated entrance doors

VI. Development Time Lines

The determination of project time-lines are crucial in defining the overall financing plan for the development. The financial model in general has assumed the following key components of the development time line.

Select Permanent Lender	25-Apr-14
Select Tax Credit Investor	10-May-14
Submit 4% Tax Credit Application	1-Jun-14
Submit Private Activity Bond Cap Application	25-Jun-14
Lender Commitment Letter issued	15-Sept-14
Receive 52(m) letter from WSHFC	20-Sept-14
Construction Contract Executed	20-Sept-14
Close Tax Credit Partnership(s)	1-Oct-14
Close on Permanent Debt and repay subordinate lenders (Anchor Bank, KCHA and ARCH)	1-Oct-14
Begin Rehabilitation Work	19-Nov-14
Construction Completion	1-Sept15
100% Qualified Occupancy	1-Jan-15
First Equity Installment	1-Oct-15
Second Equity Installment	30-Dec-16
Final Equity Installment	5-Jul-16

VII. Economic Assumptions and Project Operations

Income:

Rental income:

Unit Types	Number of Units	Average (SF)	Median Income	Rent	Annual Income
Studio	2	450	35%	\$504	12,096
One Bdrm	17	605	35%	\$539	109,956
One Bdrm	17	605	60%	\$868	177,072
Two Bdrm	7	800	35%	\$631	53,004
Two Bdrm	7	800	60%	\$1,067	89,628
Two Bdrm (common area)	1	800	60%	\$1,250	15,000
Unit Total/Avg	51				456,756

Laundry and Other: current miscellaneous resident income is anticipated to equate to approximately \$3,400 per annum, which is based on historic figures.

Cable Income: income related parking and storage equate to approximately \$14,000 per annum.

Vacancy Loss: this has been estimated at approximately 5% per year or roughly nine units per month.

Operating Expenses:

Residential: The current projected operating expenses have been estimated at \$216,824 per year or \$4,238 per unit, per year. This cost includes approximately \$350 per unit in mandatory replacement reserve set-asides; no real estate taxes are anticipated to be paid from operations.

Net Operating Income:

The Project's Net Operating Income is estimated at \$222,000 per year.

VIII. Tax Credit, Partnership Related Assumptions and other Key Project Details

- a. The project generates substantial operating losses due to large DASH seller financing note, which because it is related party financing, has to have an assumed interest rate equal to at a minimum long-term AFR. To minimize DASH's potential back-end tax liability when they exercise their option, DASH will require from any potential investment partner that they have the ability to exercise such option in the year following the final year in which all credits have been delivered (year 12).
- b. 100% qualified occupancy of the residents will occur at initial closing.
- c. Depreciation for building improvements is assumed to be 40-years, 20-years for land improvements and 9-years for personal property.
- d. The existing State Housing Trust Fund loan of approximately \$405,000 will be assumed by the partnership. It is anticipated that DASH will negotiate a deferral of payments on this note and in return extend the affordability requirement with the state.
- e. The estimated \$235,000 ARCH loan is anticipated to be repaid at closing with DASH acquisition proceeds.
- f. The interim King County Housing Authority loan in the approximate amount of \$400,000 will be repaid at closing.

HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5459

A RESOLUTION of the Housing Authority of the County of King preserving affordable housing by authorizing the Authority to make a loan to Downtown Action to Save Housing for the purpose of providing the funds with which to purchase the limited partnership interest in Ashwood Court Associates, A Washington Limited Partnership, which owns and operates a 51-unit multifamily apartment complex in Bellevue, Washington, and to negotiate, execute and deliver various documents in connection therewith, and determining related matters.

ADOPTED March 17, 2014

This document was prepared by:

*FOSTER PEPPER PLLC
1111 Third Avenue, Suite 3400
Seattle, Washington 98101
(206) 447-4400*

HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5459

A RESOLUTION of the Housing Authority of the County of King preserving affordable housing by authorizing the Authority to make a loan to Downtown Action to Save Housing for the purpose of providing the funds with which to purchase the limited partnership interest in Ashwood Court Associates, A Washington Limited Partnership, which owns and operates a 51-unit multifamily apartment complex in Bellevue, Washington, and to negotiate, execute and deliver various documents in connection therewith, and determining related matters.

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

WHEREAS, RCW 35.82.070(1) provides that a housing authority may, among other things, “make and execute contracts and other instruments . . .”; and

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

WHEREAS, Ashwood Court Associates, A Washington Limited Partnership (the “Partnership”), owns and operates a 51-unit multifamily apartment complex in Bellevue, Washington (the “Project”), which Project provides affordable rental housing for persons of low income in the County; and

WHEREAS, Downtown Action to Save Housing, a Washington non-profit corporation (“DASH”) is General Partner of the Partnership and has applied to the Authority for financial assistance in the principal amount of up to \$425,000 for the purpose of acquiring the limited

partnership interest in the Partnership, which acquisition will allow DASH to obtain additional financing for the improvement of the Project; and

WHEREAS, the Authority has determined that the loan authorized herein is important for the feasibility of the Project and the preservation and affordability of housing for low-income persons residing within the County; and

WHEREAS, the Authority desires to facilitate the financing of improvements to the Project by making a loan to DASH to provide the interim financing necessary to acquire the limited partnership interest in the Partnership;

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

Section 1. Authorization of Loan to DASH. The Board approves the use of Authority funds to make a loan to DASH in a principal amount not to exceed \$425,000 for the purpose of providing funds with which to purchase the limited partnership interest in the Partnership (the "Loan"), all in accordance with the Loan Agreement between the Authority and DASH, the Pledge, Security Agreement and Assignment of Partnership Interest in favor of the Authority and the Note substantially in the forms on file with the Executive Director (collectively, the "Loan Documents"), upon payment by DASH of a loan fee in the amount of \$10,000. The Loan shall bear interest from the date of the Note (the "Effective Date") at the rate of 5.0% per annum, and shall be payable on the maturity date of the Note, which shall be no later than 364 days after the Effective Date. The Executive Director of the Authority is authorized to further negotiate and enter into the Loan Documents with DASH, and to determine, in his or her discretion, whether the Loan should be additionally secured by a deed of trust. The Board authorizes and directs the Executive Director of the Authority to do everything necessary for the negotiation, execution and

delivery, on behalf of the Authority, of such documents as may be useful or necessary to the purpose of this Section 1, as determined by the Executive Director.

Section 2. Expenditures. The Authority is authorized to expend such funds as are necessary to pay for all filing fees, application fees, registration fees, account fees and other costs relating to the actions authorized by this resolution, to the extent not paid by DASH.

Section 3. Execution and Delivery of Additional Documents. The Executive Director is hereby directed, and granted the discretionary authority, to execute and deliver any and all notices and other certificates, documents, agreements and instruments that are necessary or appropriate in his discretion to give effect to this resolution and to consummate the transactions contemplated herein.

Section 4. Authorization of Future Acts. The Board further authorizes and directs the Executive Director and all other proper officers, agents, attorneys and employees of the Authority to carry out, or cause to be carried out, all obligations of the Authority under the documents authorized by this resolution, and to perform or cause to be performed such other acts as they shall consider necessary or advisable in connection with the making of a loan to DASH and the application of such proceeds to carry out the purchase of the limited partnership interest in the Partnership, or in order to give effect to this resolution and the transactions contemplated herein. In addition, the Executive Director is authorized, in his or her discretion, to extend the maturity date of the loan and to modify the interest rate payable on the loan at the time of any such extension to a rate not less than the then-current Treasury rate for obligations with a similar term.

Section 5. Acting Officers Authorized. Any action required by this resolution to be taken by the Executive Director of the Authority may in the absence of such person be taken by a Deputy Executive Director of the Authority.

Section 6. Ratification and Confirmation. Any actions of the Authority or its officers prior to the date hereof and consistent with the terms of this resolution are ratified and confirmed.

Section 7. Effective Date. This resolution shall be in full force and effect from and after its adoption and approval.

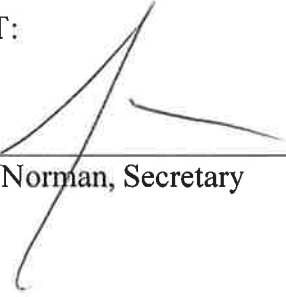
ADOPTED by the Board of Commissioners of the Housing Authority of the County of King at an open public meeting this 17th day of March, 2014.

HOUSING AUTHORITY OF THE COUNTY OF
KING

By:


Chair

ATTEST:


Stephen Norman, Secretary

CERTIFICATE

I, the undersigned, the duly chosen, qualified and acting Executive Director of the Housing Authority of the County of King (the "Authority") and keeper of the records of the Authority, CERTIFY:

1. That the attached Resolution No. 5459 (the "Resolution") is a true and correct copy of the resolution of the Board of Commissioners (the "Board") of the Authority, as adopted at a meeting of the Authority held on March 17, 2014, and duly recorded in the minute books of the Authority.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 17th day of March, 2014.



Executive Director of the Authority

CERTIFICATE



KING COUNTY HOUSING AUTHORITY

TO: Board of Commissioners
FROM: Tim Walter
DATE: March 9, 2014
RE: **Resolution No. 5460:** Authorizing KCHA to refinance the Eastwood Square Apartments

Summary:

Resolution No. 5460 authorizes KCHA to make a loan to Eastwood Square Apartments, a 48-unit multi-family development in Bellevue which is owned by the Authority and leased for 55 years to Park Villa LLC, a privately controlled partnership. The proceeds from this loan would allow the Partnership to refinance existing, high rate debt and provide an opportunity for KCHA to increase its investment return on existing reserves.

Background:

In 2002, KCHA issued approximately \$4 million in private activity tax-exempt bonds and the City of Bellevue advanced \$600,000 to finance KCHA's purchase of the Eastwood Square Apartments, a 48-unit HUD subsidized family development located at 14631 NE 35th St in Bellevue. Immediately upon acquisition of the property, KCHA leased the development to Park Villa LLC, a privately controlled partnership, on a 55-year lease. Park Villa LLC converted the project to a low-income housing tax credit development and completed a \$1 million rehab with proceeds generated from the tax credit equity. Since 2002, Park Villa LLC has made payments as required under the existing lease and now desires to refinance the project to lower the interest rate and cost of financing of the loan. The interest rate on the original loan to Park Villa LLC was 6.95% and the loan amortized over 40 years. All units in the property receive rent subsidies from HUD under HUD's Multifamily Project Based Section 8 program.

In late 2013, KCHA was notified by Park Villa LLC of its intent to refinance the KCHA bond loan to take advantage of the lower interest rate environment. Because of KCHA's underlying fee ownership of the property and KCHA's lessor interest in the financing lease, KCHA has proposed refinancing the original KCHA bond loan with a loan from KCHA internal resources. The term of the loan would be 10 years with an option for KCHA to extend the loan at KCHA's sole option. The interest rate proposed for the new loan is 5% and the loan will continue to amortize over the original loan's remaining term. The new loan would be in an approximate amount of \$4.2 million which would be sufficient to pay off the underlying bond and City of Bellevue loans and to pay any costs incurred by the lender associated with the issuance of the loan. The terms are further outlined in the attached Term Sheet.

Based on loan rate of 5% to the borrower, KCHA expects to generate from \$550,000 to \$1.2 million in interest income over and above what KCHA would expect to generate if the funds were

otherwise invested in KCHA's traditional structured investments. This loan is authorized under RCW 35.82.070(18), which allows housing authorities to "make loans for the refinancing of buildings for housing for persons of low income".

The funds being utilized for the loan are funds that have already been set aside for projected exit tax liabilities on current tax credit partnerships that expire within the next 10 to 11 years thus the investment of these funds will have little impact on KCHA's ability to meet its day to day operating needs.

Risks and Risk Mitigation:

Failure to make payments when due under the loan. Park Villa LLC has made its current payments on time to KCHA every month over the past 12 years. The reduction in interest rate will result in a 20% decrease in the debt payment which will enhance the property's ability to generate sufficient revenue to make the scheduled loan repayments. In addition, KCHA would hold as security a leasehold deed of trust and the underlying lessor interest in the lease. Failure to make the loan repayment as required would not only be a violation of the loan agreement but a violation of the lease. An uncured default under the terms of the lease would permit KCHA to terminate the lease and take possession of the property.

Failure to repay KCHA the outstanding balance of the loan when due. In 10 years, when the loan matures, the balance of the note would be approximately \$3.3 million. The value of the property today is conservatively \$7 - \$7.5 million. Failure to make the payment as required would result in both a violation of the loan agreement and the lease and would result in the termination of the lease with the property reverting back to KCHA ownership. In this situation, KCHA would take possession of the property for a fraction of its market value.

Failure to have sufficient funds on hand to pay exit tax liabilities when due if the loan has not been paid in full as anticipated. KCHA has sufficient funds and access to credit, if necessary, to bridge the payment of exit tax liabilities when due. KCHA also has some flexibility in determining when it will exercise its right to acquire the tax credit investor limited partner interests and therefore can time expected exit tax payments to the expected receipt of the loan repayment.

Passage is recommended.

Board of Commissioners
DOUG BARNES, *Chair*
MICHAEL BROWN, *Vice-Chair*
RICHARD MITCHELL
SUSAN PALMER

Executive Director
STEPHEN J. NORMAN



KING COUNTY HOUSING AUTHORITY

December 18, 2013

Park Villa, LLC
2200 Sixth Ave, Suite 2200
Seattle, WA 98121
Attn: Mr. William H. Goldberg

RE: Term Sheet for refinancing of Eastwood Square Apartments

The King County Housing Authority ("KCHA") is pleased to present to you this Term Sheet outlining the general terms and conditions under which KCHA would be interested in providing a loan to refinance the \$4,000,000 Multifamily Family Revenue Bonds, (2001 Eastwood Square Apartments Project) ("Bonds") and the City of Bellevue loan ("City Loan") both of which provided acquisition financing for Park Villa LLC's leasehold interest in the Eastwood Square Apartments. The proposed general terms and conditions of the Loan are as follows:

General Terms & Conditions:

Borrower: Park Villa LLC

Project: Eastwood Square Apartments located at 14631 NE 35th St, Bellevue, WA 98007

Type of Project: 48-unit subsidized apartment complex

Purpose: Refinance the Bonds and the City Loan which provided the original financing for the acquisition of Park Villa's leasehold interest in the Project.

Loan Amount: Approximately \$4,200,000. The total will be adjusted such that the Loan proceeds are sufficient to pay off the Bonds, the City Loan and cover Third Party Costs associated with the Loan.

Interest Rate: 5%

Term: 10 years

Payments: Payments of principal and interest for 120 months

Amortization: Loan will be amortized in equal payments and will be amortized over the remaining term of the Bonds (amortized through 2041)

600 ANDOVER PARK WEST • SEATTLE, WASHINGTON 98188-3326
PHONE (206) 574-1100 • FAX (206) 574-1104
EQUAL HOUSING OPPORTUNITY

Loan Fee: .5% of the final Loan amount

Recourse: Non-Recourse

Security: A first leasehold deed of trust and an assignment of leases and rents

Prepayment: Any prepayment shall be subject to a yield maintenance penalty calculated at 5,4,3,2,1,1,1,1,0.

Third Party Costs: Borrower is responsible for all normal and customary third party costs to close including but not limited to legal, appraisal, title insurance, etc.

Loan Covenants: Annual audited financial statement
Quarterly financial statements (within 45 days of each calendar quarter)
Annual rent roll and annual HUD Form 92458
Debt service coverage ratio of 1.25:1.00 or better
Initial loan to value no less than 75%
Annual Compliance Certificate

Additional Requirements:

In addition to the general term and conditions, the final commitment and funding of the Loan shall be conditioned upon:

Evidence of all required consents of the members of Park Villa LLC as well as any amendment(s) necessary per the company's operating agreement for Park Villa LLC to enter into the Loan.

Receipt of all required approvals to amend the Financing Lease between KCHA and Park Villa LLC.

Amendment of the Financing Lease and any other project related document(s).

Any reports or verifications necessary to evidence sufficiency of funds to redeem or defease the Bonds.

Review of current physical needs assessment of the Project and sufficient funds escrowed to satisfy any immediately needed repair work.

Transfer and funding of replacement reserves in an account requiring approval by KCHA for release of reserves (which release shall not be unreasonably withheld).

Receipt of any required legal opinion.

Compliance with statutory and on-going affordability covenants.

Receipt of additional information required by KCHA.

This Term Sheet is not meant to be nor shall it be construed as an attempt to define all of the terms, conditions and requirements of the Loan but to outline the basic business points of the transaction. Further discussion of the specifics of the Loan shall not be precluded by the issuance of this Term Sheet.

Park Villa LLC Term Sheet
December 18, 2013

Upon confirmation from Park Villa LLC of its interest to proceed with the Loan, KCHA will engage legal counsel to draft changes to the Financing Lease and other related documents necessary to permit the refinancing of the Bonds and the City Loan.

We at King County Housing Authority look forward to the opportunity to work with you on this transaction. Should you have any questions, please feel free to contact either myself at (206) 574.1193 or Tim Walter at (206) 574.1231.

Sincerely,

Daniel R. Watson
Deputy Executive Director
King County Housing Authority

cc: Stephen Norman

HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5460

A RESOLUTION of the Housing Authority of the County of King authorizing the Authority to make a loan to Park Villa LLC for the purpose of refinancing the Eastwood Square Apartments and to negotiate, execute and deliver various documents in connection with such transaction, and determining related matters.

ADOPTED March 17, 2014

This document was prepared by:

*FOSTER PEPPER PLLC
1111 Third Avenue, Suite 3400
Seattle, Washington 98101
(206) 447-4400*

HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5460

A RESOLUTION of the Housing Authority of the County of King authorizing the Authority to make a loan to Park Villa LLC for the purpose of refinancing the Eastwood Square Apartments and to negotiate, execute and deliver various documents in connection with such transaction, and determining related matters.

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

WHEREAS, the Authority has been designated as a “housing associate” of the Federal Home Loan Bank of Seattle (the “Seattle FHLB”); and

WHEREAS, RCW 35.82.070(1) provides that a housing authority may, among other things, “make and execute contracts and other instruments . . .”; and

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

WHEREAS, pursuant to Resolution No. 3143, adopted by the Board of Commissioners of the Authority (the “Board”) on September 12, 2001, and a Trust Indenture dated as of October 1, 2001 between the Authority and U.S. Bank National Association (now U.S. Bank National Association), as trustee, the Authority issued its Multifamily Housing Revenue Bonds, 2001 (Eastwood Square Apartments Project) (the “2001 Bonds”) in the aggregate principal amount of \$4,000,000, of which \$3,470,000 aggregate principal amount is currently outstanding, to provide

part of the costs of acquiring a 48-unit apartment complex known as the Eastwood Square Apartments located in Bellevue, Washington (the "Project"), which Project is owned by the Authority and leased to Villa Park LLC (the "Borrower"), all to provide housing for low-income persons within King County (the "County"); and

WHEREAS, pursuant to a Funding Agreement between the Authority and the City of Bellevue dated October 12, 2001, the City loaned the Authority \$600,000 (the "City Loan"), of which approximately \$544,000 is currently outstanding, to provide part of the costs of acquiring the Project to be leased to the Borrower, all to provide housing for low-income persons within the County; and

WHEREAS, pursuant to a Lease Agreement dated as of October 1, 2001 (the "Lease"), between the Authority and the Borrower, the Authority has transferred the Project to the Borrower pursuant to a long-term lease agreement; and

WHEREAS, the Authority deems it necessary and convenient to make a loan to the Borrower in an amount not to exceed \$4,200,000 to provide the funds necessary to refinance the costs of the Project, including the repayment of the Bonds and the City Loan (the "Refinancing") in accordance with the Authority's proposal letter dated December 18, 2013 (the "Proposal Letter"); and

WHEREAS, the Authority has determined that the loan authorized herein is important for the feasibility of the Project;

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

Section 1. Authorization of Loan to the Borrower. The Board approves the use of Authority funds to make a loan to the Borrower in a principal amount not to exceed \$4,200,000

for the purpose of carrying out the Refinancing, all in accordance with the Proposal Letter. The maturity date of the loan may be extended at the option of the Authority so long as the agreed upon rate of interest payable on the loan balance at the time of the extension is not less than the U.S. Treasury rate with a similar maturity date. The Executive Director of the Authority is authorized to further negotiate the terms of the loan with the Borrower, and to enter into customary loan documents, including a loan agreement, a deed of trust, assignments of management and other contracts, an amendment to the Lease and a promissory note, in connection therewith. The Board authorizes and directs the Executive Director of the Authority to do everything necessary for the negotiation, execution and delivery, on behalf of the Authority, of all documents as may be useful or necessary to the purpose of this Section 1, as determined by the Executive Director.

Section 2. Expenditures. The Authority is authorized to expend such funds as are necessary to pay, to the extent not paid by the Borrower, for all filing fees, application fees, registration fees, account fees and other costs relating to the actions authorized by this resolution.

Section 3. Execution and Delivery of Additional Documents. The Executive Director is hereby directed, and granted the discretionary authority, to execute and deliver any and all notices and other certificates, documents, agreements and instruments that are necessary or appropriate in his discretion to give effect to this resolution and to consummate the transactions contemplated herein.

Section 4. Authorization of Future Acts. The Board further authorizes and directs the Executive Director and all other proper officers, agents, attorneys and employees of the Authority to carry out, or cause to be carried out, all obligations of the Authority under the documents authorized by this resolution and to perform or cause to be performed such other acts

as they shall consider necessary or advisable in connection with the making of a loan to the Borrower and the application of such proceeds to carry out the Refinancing, or in order to give effect to this resolution and the transactions contemplated herein.

In particular, the Board approves accessing up to \$[4,200,000] of credit from the Seattle FHLB in connection with the loan, and authorizes the Executive Director, in his discretion, to make application to the Seattle FHLB for such extension of credit, to execute agreements pledging collateral (which may include, without limitation, previously authorized Board designated funds) to the Seattle FHLB as required in connection with such extension of credit, to approve the substitution of such collateral from time to time, and to open and maintain any accounts as may be useful or necessary in connection with such transactions.

Section 5. Acting Officers Authorized. Any action required by this resolution to be taken by the Executive Director of the Authority may in the absence of such person be taken by a Deputy Executive Director of the Authority.

Section 6. Ratification and Confirmation. Any actions of the Authority or its officers prior to the date hereof and consistent with the terms of this resolution are ratified and confirmed.

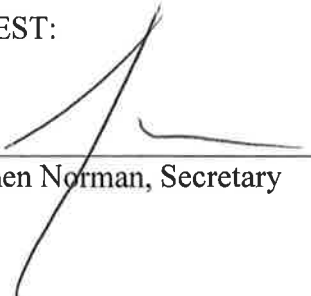
Section 7. Effective Date. This resolution shall be in full force and effect from and after its adoption and approval.

ADOPTED by the Board of Commissioners of the Housing Authority of the County of King at an open public meeting this 17th day of March, 2014.

HOUSING AUTHORITY OF THE COUNTY OF
KING

By: 
Chair

ATTEST:


Stephen Norman, Secretary

CERTIFICATE

I, the undersigned, the duly chosen, qualified and acting Executive Director of the Housing Authority of the County of King (the "Authority") and keeper of the records of the Authority, CERTIFY:

1. That the attached Resolution No. 5460 (the "Resolution") is a true and correct copy of the resolution of the Board of Commissioners (the "Board") of the Authority, as adopted at a meeting of the Authority held on March 17, 2014, and duly recorded in the minute books of the Authority.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 17th day of March, 2014.



Executive Director of the Authority

CERTIFICATE



KING COUNTY HOUSING AUTHORITY

TO: Board of Commissioners

FROM: Tim Walter, Mike Sivia

DATE: March 12, 2014

RE: **Resolution No. 5461:** Authorizing Provisional Acceptance of an Offer to Purchase Low Income Housing Tax Credits and Admission of an Investor Member to the Vantage Point Apartments LLC

Summary:

Resolution No. 5461 authorizes the acceptance of RBC Capital Market's offer to purchase Low Income Housing Tax Credits to be used for the development of Vantage Point Apartments, a 77-unit senior building in Renton. In addition, the Resolution admits RBC as an investor member to the Vantage Point Apartments LLC, whose formation was previously approved by the Board.

Background:

Vantage Point Apartments is proposed to be built on a 5 acre parcel of vacant property located adjacent to the Vantage Glen Manufactured Housing Community in Renton. The building design provides for 72 one-bedroom units and 5 two-bedroom units and will have dedicated on-site space for management and resident services staff. All of the 77 units will be subsidized and the units will be designated for elderly and near elderly (55+ year) low-income households.

Resolutions No. 5415 and No. 5454, passed by the Board in December 2012 and 2013 respectively authorized formation of a limited liability company, Vantage Point Apartments LLC and a loan to the project to provide initial financing for pre-development activities including the design of the building. KCHA is and will continue to be the managing member of Vantage Point Apartments LLC.

Resolution No. 5461 authorizes KCHA to admit RBC Capital Markets and/or an affiliate ("RBC") as the investor member of the Vantage Point Apartments LLC. Admitting RBC as a member will allow the LLC to solicit the services of a general contractor/construction manager (GCCM). Once a GCCM has been selected, the GCCM will be able to determine the actual cost of constructing the building as it has been designed. When the actual cost of construction has been determined, KCHA will provide the board with a complete project profile and development plan outlining the proposed financing for the project. Subject to future board approval, KCHA will lease the site to the Vantage Point Apartments LLC and the LLC will commence construction at that time. Admission of RBC as an investor member to the LLC also provides for a provisional commitment by RBC to purchase the tax credits which will be generated by the development of the project. RBC's purchase offer is approximately \$15.5 million (\$.99 per credit dollar). RBC is an experienced tax credit investor and is the investor in a number of KCHA's tax credit developments including Green River Homes 2, Birch Creek and Egis all of which are subsidized properties.

Staff expects to have the financing and completed project profile available for the board at the May, 2014 meeting. A schematic drawing of the building prepared by the architect is attached.

Site Plan



North Wing



HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5461

(VANTAGE POINT APARTMENTS)

A RESOLUTION of the Housing Authority of the County of King authorizing provisional acceptance of an offer to purchase Low Income Housing Tax Credits and admission of an Investor Member to the Vantage Point Apartments LLC

ADOPTED MARCH 17, 2014

HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5461

(VANTAGE POINT APARTMENTS)

A RESOLUTION of the Housing Authority of the County of King authorizing provisional acceptance of an offer to purchase Low Income Housing Tax Credits and admission of an Investor Member to the Vantage Point Apartments LLC

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

WHEREAS, RCW 35.82.070(2) provides that a housing authority may “prepare, carry out, acquire, lease and operate housing projects; to provide for the construction, reconstruction, improvement, alteration or repair of any housing project or any part thereof . . .”; and

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

WHEREAS, RCW 35.82.070(1) provides that a housing authority may, among other things, “make and execute contracts and other instruments, including but not limited to partnership agreements and joint venture agreements . . .”; and

WHEREAS, KCHA subdivided 5.02 acres of unutilized property from the Vantage Glen Manufactured Housing Community in 2010 to create a 77 unit site for the development of housing for low income senior citizens located at 17901 105th Avenue Place, SE, Renton, Washington, to be known as Vantage Point Apartments (“Vantage Point”) and

WHEREAS, pursuant to Resolution No. 5415 KCHA formed Vantage Point Apartments LLC (the “Company”) for purposes of owning and developing Vantage Point, thereby maximizing the benefits and minimizing the risks to the Authority; and

WHEREAS, pursuant to Resolutions No. 5415 and No. 5454 KCHA submitted financing applications to the King County Housing Finance Program (the “HFP”), the State Housing Trust Fund (the “HTF”), and the Washington State Housing Finance Commission (the “WSHFC”); and

WHEREAS, KCHA received a firm commitment to provide \$2 million in financing from the HFP (and may receive an additional \$2 million); expects to receive a commitment to provide \$0.5 million in financing from the HTF; and received or will receive allocations of 2013 and 2014 Nine Percent (9%) Low Income Housing Tax Credits (the “Tax Credits”) from the WSHFC to provide equity for 77 units of housing; and

WHEREAS, pursuant to Resolution No. 5415 KCHA committed \$2 million in Moving To Work (“MTW”) working capital for the purpose of financing the development of Vantage Point; and

WHEREAS, RBC Capital Markets (“RBC”) submitted a Letter of Intent offering to purchase 99.99% of the Tax Credits for approximately \$15.5 million; and

WHEREAS, KCHA desires to secure the capital contribution offered by RBC by admitting it to the Company and allowing the Company to solicit proposals from contractors to be the general contractor as well as serve as construction manager and provide value engineering and cost estimating services so that the Company can determine whether it has sufficient financing sources to proceed with construction;

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

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

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

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

“Company” means Vantage Point Apartments LLC, a Washington limited liability company, of which the Authority is the Manager or Managing Member.

“Project” means, depending on the context, (1) the development and construction of Vantage Point Apartments, located at 17901 105th Place SE, Renton, Washington, on land leased by the Company from the Authority, or (2) Vantage Point Apartments.

Section 2. Admission of Investor to the Company. The Authority is authorized to negotiate the terms of an Amended and Restated Operating Agreement (the “Operating Agreement”) for the LLC, under which the Authority will be the sole managing member and entities affiliated with RBC Capital Markets (“RBC”) will be the investor member(s), on terms and conditions approved by the Executive Director. The Operating Agreement will prohibit the Company from commencing with construction of the Project until the Board gives formal approval to the financing structure and authority to enter into the lease. The Executive Director of the Authority is authorized to execute the Operating Agreement on behalf of the Authority.

Section 3. Predevelopment Activities. The Authority's Executive Director is further authorized and directed to take all necessary and appropriate action in connection with the structuring of financing for the Project and the design and development of the improvements to be constructed in connection therewith, including, but not limited to: (i) preparing all appropriate resolutions for Board review and approval; (ii) preparing all documents required so that the Authority and the Company comply with state and federal laws; (iii) applying for credit enhancement for any loans by the Authority to the Project (but only if the Authority's Executive Director determines such credit enhancement to be cost effective); and (iv) negotiating contracts or agreements relating to the development and management of the Project or lease of the property at 17901 105th Place SE, Renton .

Section 4. Ancillary Documents. The Authority's Executive Director is hereby directed, and granted the discretionary authority, to execute and deliver any and all other certificates, documents, agreements and instruments that are necessary or appropriate in his discretion to give effect to this resolution and to prepare documents for the transactions contemplated herein, including, but not limited to, any development services agreement between the Company and the Authority (and/or others) providing for the development of the Project, contracts with architects, engineers and other consultants, and construction contracts.

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

Section 6. Acting Officers Authorized. Any action required by this resolution to be taken by the Executive Director of the Authority may in his absence be taken by a duly authorized acting Deputy Executive Director of the Authority.

Section 7. Ratification and Confirmation. Any actions of the Authority or its officers prior to the date hereof and consistent with the terms of this resolution are ratified and confirmed.


Section 8. Effective Date. This resolution shall be in full force and effect from and after its adoption and approval.

ADOPTED by the Board of Commissioners of the Housing Authority of the County of King at an open public meeting this 17th day of March 2014.

HOUSING AUTHORITY OF THE COUNTY OF
KING


Chair, Board of Commissioners

ATTEST:


Executive Director

CERTIFICATE

I, the undersigned, the duly chosen, qualified and acting Executive Director of the Housing Authority of the County of King (the "Authority") and keeper of the records of the Authority, CERTIFY:

1. That the attached Resolution No. 5461 (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 March 17, 2014, and duly recorded in the minute books of the Authority.

2. That such meeting was duly convened and held in all respects in accordance with law, and, to the extent required by law, due and proper notice of such meeting was given; that a quorum was present throughout the meeting and a majority of the members of the Board of Commissioners of the Authority present at the meeting and eligible to vote on this Resolution 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 17th day of March, 2014.

HOUSING AUTHORITY OF THE COUNTY OF
KING

Executive Director

CERTIFICATE

THE HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5462

**AUTHORIZING PAYMENT OF A RETENTION AND ACCOMPLISHMENT
INCENTIVE FOR THE EXECUTIVE DIRECTOR FOR CALENDAR YEAR 2013
AND A BASE SALARY INCREASE**

WHEREAS, the Executive Director of the Housing Authority of the County of King entered into an Employment Contract with the Authority effective March 1, 2013 until December 31, 2015; and,

WHEREAS, under the terms of such contract the Board “may also grant additional increases in the base salary where appropriate based on the Board’s evaluation of Mr. Norman’s performance”; and,

WHEREAS, the Board approved a 2013 Retention and Accomplishment Incentive Pay Policy (“Policy”) for the Executive Director on April 22, 2013 in Resolution No. 5430 for an amount not to exceed \$25,000; and,

WHEREAS, the Board reviewed the performance of the Executive Director and reached a consensus in Executive Sessions on February 24, 2014 and March 17, 2014 to award an increase in the Executive Director’s base pay as well as a payment based on the Executive Director’s achievement of the goals set forth in the Policy; and,

WHEREAS, the Board of Commissioners acknowledges the outstanding job performance of the Executive Director and also recognizes the current economic climate; and

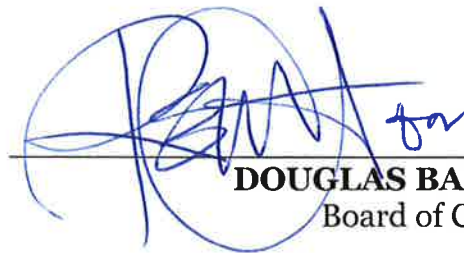
NOW, THEREFORE, BE IT RESOLVED, BY THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE COUNTY OF KING:

SECTION 1: In recognition of the achievement of goals set forth in the Retention and Incentive Pay Policy for Calendar Year 2013, the Executive Director shall receive a payment of \$15,000. The payment shall be made no later than March 28, 2014.

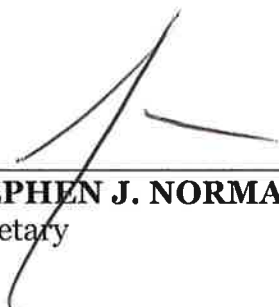
SECTION 2: Based on the Board of Commissioner's evaluation of the Executive Director's performance, the Executive Director's base compensation shall be increased 5 %. The increase in base pay shall be effective March 1, 2014.

ADOPTED AT A REGULAR MEETING OF THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE COUNTY OF KING THIS 17th DAY OF MARCH, 2014.

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



DOUGLAS BARNES, Chair
Board of Commissioners


STEPHEN J. NORMAN
Secretary

THE HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5462

**AUTHORIZING PAYMENT OF A PERFORMANCE BONUS FOR THE
EXECUTIVE DIRECTOR FOR CALENDAR YEAR 2013 AND A BASE SALARY
INCREASE**

WHEREAS, the Executive Director of the Housing Authority of the County of King entered into an Employment Contract with the Authority effective March 1, 2013 until December 31, 2015; and,

WHEREAS, under the terms of such contract the Board “may also grant additional increases in the base salary where appropriate based on the Board’s evaluation of Mr. Norman’s performance”; and,

WHEREAS, the Board approved a 2013 ~~Performance Bonus~~ Policy for the Executive Director on April 22, 2013 in Resolution 5430 for an amount not to exceed \$25,000; and,

WHEREAS, the Board reviewed the performance of the Executive Director and reached a consensus in Executive Sessions on February 24, 2014 and March 17, 2013 to award an increase in the Executive Director’s base pay as well as a bonus based on the Executive Director’s achievement of the goals set forth in the Policy; and,

WHEREAS, the Board of Commissioners acknowledges the outstanding job performance of the Executive Director and also recognizes the current economic climate; and

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

SECTION 1: In recognition of the achievement of goals set forth in the Performance Bonus Policy for Calendar Year 2013, the Executive Director shall receive a ^{retention and} ~~performance~~ ^{accomplishment incentive pay} ~~bonus~~ in an amount of \$ 15,000. The performance bonus shall be paid no later than March 28, 2013⁴. MB
3-17-14

SECTION 2: Based on the Board of Commissioner's evaluation of the Executive Director's performance, the Executive Director's base compensation shall be increased 5%. The increase in base pay shall be effective March 1, 2014. MB
3-17-14

ADOPTED BY THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE COUNTY OF KING AT A SPECIAL MEETING THEREOF THIS 17th DAY OF MARCH 2014.

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


DOUGLAS BARNES, Chair
Board of Commissioners

STEPHEN J. NORMAN
Secretary

