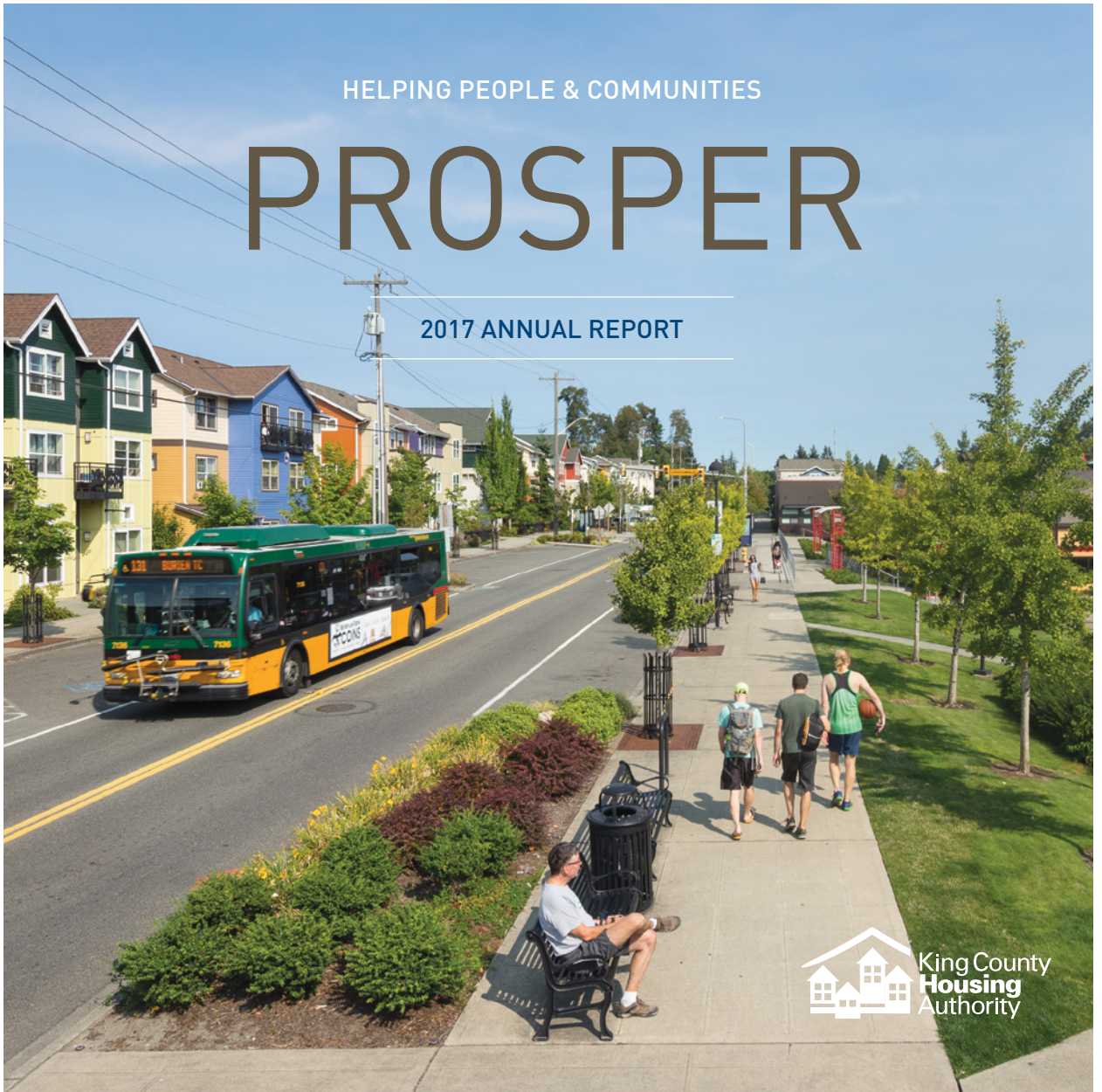


HELPING PEOPLE & COMMUNITIES

PROSPER

2017 ANNUAL REPORT





BOARD OF COMMISSIONERS

Doug Barnes, Chair • Michael Brown, Vice Chair
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An adequate supply of safe and affordable housing is essential to the future of our region.

KCHA provides innovative and effective solutions so that people and communities can prosper.

We approach this work as a developer and landlord, as a partner in smart regional growth and community revitalization, and as a collaborator in broader system-change efforts to combat poverty and homelessness.

2017 HIGHLIGHTS

- >> This year we welcomed 2,300 new families into our **housing** programs.
- >> Through **innovative** financing approaches we also added 709 homes to our portfolio, bringing our inventory to 10,200 units of affordable housing spread across 132 sites.
- >> Working in **partnership** with community organizations, we provided housing **support** to 22,000 low-income households with over 50,000 family members.

LETTER FROM THE EXECUTIVE DIRECTOR

In 2017, 70,000 extremely low-income households in King County rented the home they lived in. Many of these households included family members who are elderly or disabled. Many included young children. Two-thirds of these households were severely rent-burdened — meaning they spent over 50% of their limited household incomes on rent and utilities. The one-third who spent less than half their income on rent were most likely assisted through the region's Public Housing or Housing Choice Voucher programs. What these numbers tell us is that just about every unassisted extremely low-income family that rents a home in King County — over 44,000 households — is one paycheck or one rent increase away from homelessness. This is our challenge.

As rents continue to rise, this reality is visible on our streets and in our open spaces — Seattle is now reporting the third-largest homeless population in the country. And our county's school districts reported 9,119 homeless school children in their classrooms during the 2016/2017 school year.

In the face of this overwhelming crisis, the King County Housing Authority's mission is clear: to increase the number of households we serve and to preserve housing affordability in a continuously escalating rental market.

In 2017 we did just that. We provided homes to 2,300 new households, and we increased our federal program capacity by nearly 500 subsidies. One half of new households served this year came directly out of homelessness. Many were disabled veterans or families with homeless children. This expansion was critical, but not sufficient in the face of the region's urgent housing needs, and it comes against a backdrop of draconian cuts to the federal housing budget being proposed in Washington, D.C.

KCHA also intervened in 2017 to preserve two affordable communities at risk from increasing market pressures. In Redmond we purchased Friendly Village, a mobile-home park that is

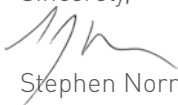
home to 224 senior households. This acquisition prevented the almost certain closure and redevelopment of this 40-acre community. And in Shoreline, KCHA purchased Ballinger Commons, a 485-unit complex close to the planned light-rail station on 185th Street. The sales prospectus identified this sale as a “value add” opportunity to raise rents on every unit by \$150-\$300 almost immediately. KCHA instead made it possible for these families to remain in their homes without major rent increases. With these purchases, KCHA’s inventory crossed the 10,000-unit mark this year, supporting 4,000 Public Housing and over 6,000 workforce housing units spread across the metropolitan region outside of Seattle.

In addition to expanding our housing subsidy programs and preserving the affordability of the region’s existing stock, KCHA remains focused on the need for regional growth that supports healthy and inclusive communities. This includes combating the region’s increasing income segregation through broadened geographic choices — choices that enable low-income households to live in neighborhoods near job opportunities and where strong schools and communities support economic mobility. I am very pleased that 28% of KCHA’s deeply subsidized households with children now live in high-opportunity neighborhoods. Our progress continued this year with a new initiative, funded by the Gates Foundation, to build on these efforts. Creating Moves to Opportunity, a three-year pilot program, will empower households with Housing Choice Vouchers to make informed decisions about which neighborhoods best support their family’s needs and aspirations.

It is equally important, however, that the region’s existing low-income neighborhoods become communities of opportunity. To this end KCHA is doubling down — investing in education, health, and self-sufficiency partnerships that support the needs and aspirations not only of KCHA’s residents, but of the broader community. Nowhere is that more evident than in White Center, where we continue to invest in the expansion of early learning, pre-school, and after-school programs and access to health care, and in the regional network of 15 community centers we’ve built and fund in support of neighborhood youth.

None of this year’s accomplishments would have been possible without the extraordinary commitment of the staff here at KCHA. This report is accordingly dedicated to them and the tremendous job and hard work they do every day in supporting our residents and King County’s communities.

Sincerely,

A handwritten signature in dark ink, appearing to read "Stephen Norman", with a stylized, flowing script.

Stephen Norman



HOMES

INCREASING AFFORDABLE HOUSING OPPORTUNITIES



Ballinger Commons, a 485-unit complex in Shoreline

>> CHALLENGE

Seattle, at the heart of King County, is the fastest-growing city in the nation. This extraordinary growth is changing the face of the surrounding suburbs and leaving far too many of our neighbors behind. With rents continuing to climb — especially in historically more affordable neighborhoods — and with the failure of wages to keep pace, many families are struggling to pay the rent, and an alarming number are living on our streets.

>> APPROACH

KCHA employs multiple strategies to expand our reach and address the housing needs of those the private market has failed: property acquisitions; new housing construction; expansion of our housing voucher program; new supportive housing partnerships for special-needs populations; and operating support for a regional pipeline of new nonprofit housing development.

ACQUIRING AND PRESERVING AFFORDABLE HOUSING

In 2017, we closed on two properties located in high-opportunity areas of the county: Ballinger Commons, a 485-unit complex in Shoreline, and Redmond's Friendly Village, a mobile home park with 224 units of senior housing. These strategic acquisitions ensure that low-income households can continue to benefit from the opportunities and amenities available in these highly desirable cities. To expand our financing options KCHA entered into a \$200 million credit enhancement partnership with King County this year and received a stand-alone AA Issuer Rating from Standard and Poor's.

EXPANDING FEDERAL HOUSING ASSISTANCE PROGRAMS

Using the regulatory flexibility provided by HUD's Moving to Work program, KCHA has streamlined and fine-tuned the delivery of housing assistance, reducing administrative costs. These savings enabled us to add nearly 500 federally subsidized units in 2017, bringing the total number of households served by this program to over 15,900.

SUPPORTING EQUITABLE DEVELOPMENT ACROSS THE REGION

KCHA works with local jurisdictions and Sound Transit to facilitate affordable housing preservation and development along transit corridors. Acquisitions have enabled KCHA to preserve over 1,200 affordable housing units near high capacity transit or in high-opportunity neighborhoods since 2015. In 2017, KCHA was designated as the co-developer of Trailhead, a 355-unit complex adjacent to Issaquah's future light-rail station.

>> IMPACT

1,200

units of affordable housing
built or preserved since 2015

500

subsidies added to KCHA's
federal housing programs



SUPPORT

EXPANDING ACCESS TO OPPORTUNITY



>> CHALLENGE

Recent national studies have provided new and conclusive evidence that neighborhood quality has a profound impact on life outcomes for children living in poverty. Yet an increasing number of King County's low-income households live in low-income segregated neighborhoods where current opportunities are more limited.

>> APPROACH

KCHA balances efforts to expand geographic choice and access to high-opportunity neighborhoods with continued investment in bringing new opportunity to existing underserved and low-income neighborhoods.

REMOVING BARRIERS TO GEOGRAPHIC CHOICE

As a regional housing authority spanning a wide range of cities, local housing markets, and school districts, KCHA is in a unique position to promote fair housing results. Through the use of multi-tiered subsidy levels that more closely match sub-market housing costs across the county, we make it possible for voucher holders to access more expensive ZIP codes while not driving up rents in less expensive markets. We also focus our acquisitions and development opportunities in high-opportunity areas of the county. In 2017, we preserved 709 units of affordable housing through acquisitions in these neighborhoods.

EXPANDING THE MOBILITY TOOLKIT

Even with these competitive payment standards, voucher holders still face barriers to leasing up in areas of opportunity. In 2017 KCHA and Seattle Housing Authority secured funding from the Gates Foundation for a three-year mobility pilot: Creating Moves to Opportunity. This randomized, controlled study will test different approaches to educating incoming voucher holders about neighborhood options and supporting them in leasing up in King County's competitive markets.

INVESTING IN PLACE

Turning existing underserved neighborhoods into communities of opportunity is a top priority for KCHA. To this end, we partner closely with local school districts that serve high-poverty communities with significant concentrations of KCHA-supported children. For example, in White Center, as part of our continued redevelopment of two World War II-era Public Housing sites into new mixed-income communities, we fund and support growing connections between families, early childhood programs, health clinics, elementary schools, and after-school programs in order to improve outcomes for the neighborhood's children.

>> IMPACT

28%

of low-income families with children assisted by KCHA's federal programs currently live in high-opportunity communities

15

after-school and

4

early learning centers supported by KCHA to foster educational success among low-income children

>> CLIENT PROFILE

ZERIN

Zerin was a freshman in high school when her family moved from their home in Bangladesh to the United States. “My parents wanted us to have education and career opportunities that they never had,” she recounts. Soon after her family moved into a small, overcrowded home with another family, Zerin’s grades started to suffer.

Zerin enrolled in New Futures, a family advocacy program funded by KCHA, and expressed her challenges to the counselors. The program connected Zerin’s family with KCHA’s workforce housing program, and, after a short wait, they moved into KCHA’s Windsor Heights apartments in SeaTac. “When you feel stable, you can focus on other things,” Zerin affirms. By having a stable place to sleep and study, Zerin quickly transformed from a struggling freshman to one her high school recognized as the Most Improved Student of the Year.

Now a junior, she is taking college courses in biology and working as a tutor in the very



program that assisted her family, New Futures. “I love working with the kids, and acting as a role model for them,” Zerin says proudly. “I now feel like my dream of becoming a pediatrician is something I can achieve. I cannot say thank you enough to KCHA.”

PARTNERSHIP

ADDRESSING HOMELESSNESS IN KING COUNTY



>> CHALLENGE

With over 11,600 homeless individuals counted on our streets or in shelters during the most recent point-in-time count, King County now has the third-largest homeless population in the United States, ranking behind only New York City and Los Angeles.

>> APPROACH

KCHA is experimenting with new ways to effectively use housing assistance dollars to address the region's growing homeless population. Through the creation of low-threshold entry points and targeted housing programs, 50 percent of households entering our federally assisted programs in 2017 were previously homeless.

SYSTEMS COORDINATION

KCHA works to coordinate across the behavioral health, housing, and homeless systems to more effectively address the needs of our community's most vulnerable households. In 2017, we expanded our work with school districts to house homeless children, dedicated 80 subsidies to "*moving on*" strategies for households ready to leave intensively staffed supportive housing programs, and continued to refine strategies to house homeless youth, survivors of domestic violence, and chronically homeless individuals.

ENDING VETERAN HOMELESSNESS

Partnering with the Veterans Administration, we expanded our programs for homeless veterans by an additional 150 project-based vouchers, the most awarded to any Public

Housing Authority in the country. With this new allocation, our program has grown to nearly 700 supportive vouchers dedicated to disabled veterans experiencing homelessness.

INVESTING IN HOMELESS HOUSING

By project-basing vouchers in nonprofit-developed housing, we help ensure that these units come on-line and remain viable for years to come. In 2017, we partnered with local agencies to develop two additional homeless housing facilities: Ronald Commons and Velocity. In total, we dedicated over 3,300 subsidies to homeless housing served by the region's nonprofit housing and service providers.

>> IMPACT

3,300

housing subsidies dedicated to homeless households

460

homeless children rehoused to date through KCHA's partnership with the Highline School District and Neighborhood House

>> PARTNER PROFILE

DEPARTMENT OF COMMUNITY AND HUMAN SERVICES, KING COUNTY

“Our partnership with KCHA has contributed greatly to new housing resources for the homeless. Their investment has changed lives – enabling homeless households to obtain housing, case management, and the housing support services needed to achieve and maintain housing stability.” ”

*Mark Ellerbrook
Regional Housing and Community Development Manager*

KCHA closely coordinates with King County’s behavioral health care and homeless systems’ efforts to prevent homelessness and provide housing solutions with the goal of making homelessness rare, brief, and one-time. By aligning resources and strategies, we can design local solutions to local problems, coordinate funding, and collectively assess the impact of new approaches.

This partnership has led to the development of innovative programming to address chronic

homelessness. “Together DCHS and KCHA have developed a successful ‘Moving On’ strategy that transitions stable households from permanent supportive housing into the Housing Choice Voucher program, freeing up valuable service resources for higher-need households,” Ellerbrook says. In 2017, KCHA provided subsidies to 80 households in order to help them reintegrate into the community under this new initiative.

INNOVATION

STRENGTHEN OUR PORTFOLIO OF AFFORDABLE HOUSING



Seola Gardens,
a three-star Built Green
mixed-income community

>> CHALLENGE

For decades, Congress has underfunded federally subsidized housing programs. Because of this disinvestment, the estimated national backlog for capital needs is close to \$40 billion.

>>> APPROACH

Key capital investments strengthen the physical, operational, financial, and environmental sustainability of our portfolio of 10,200 affordable housing units. These investments ensure our housing will be available to our community's low-income residents for decades to come. At the end of 2017, occupancy stood at above 98% for the Public Housing program and over 99% for the workforce housing portfolio.

INVESTING IN OUR HOUSING STOCK

KCHA's Moving to Work contract with HUD provides us with the flexibility to blend funding sources, enabling us to strategically plan capital improvements and recapitalize our Public Housing inventory. In 2017, we invested more than \$37.5 million overall in site and building repairs and unit upgrades, ensuring the long-term viability of our portfolio.

REDUCING OUR ENVIRONMENTAL IMPACT

As one of the largest landlords in the state, we are committed to reducing our environmental footprint through energy and water conservation, renewable energy generation, waste stream diversion, green procurement policies, fleet management practices, and tenant education. By making improvements and retrofits across our inventory, we have realized a 9% reduction in energy use since 2012.

REVITALIZING COMMUNITIES

For more than a decade, KCHA has been in the process of redeveloping two Public Housing projects built in the 1940s while reinvesting in the historically underserved surrounding community of White Center. 2017 marked the completion of Seola Gardens, a three-star Built Green mixed-income community with 177 units of federally subsidized housing and 108 market-rate homes. The build-out continues at Greenbridge with new homes being brought to market at the rate of almost one a week.

>> IMPACT

97.2%

Public Housing Real Estate
Assessment Center inspection
score

\$13.9 million

invested in energy
conservation measures

>> FINANCIALS

FUND SOURCES

Rents and other payments received directly from tenants	\$83,832,980
HUD Public Housing Operating Subsidies	9,251,414
HUD Public Housing Capital Grants	3,517,717
HUD special purpose Housing Choice Voucher rent subsidies	13,510,378
HUD Moving to Work (MTW) Block Grant	118,184,191
Miscellaneous sources including draws from construction reserves	23,888,859
TOTAL FUND SOURCES	\$252,185,539

FUND USES

Administrative costs	\$52,983,095
Property operating expenses	19,152,144
Landlord rental subsidies	109,027,006
Resident support	13,508,646
Capital expenditures	37,518,418
Principal and interest payments	19,508,616
TOTAL FUND SOURCES	\$251,697,925
FUND SURPLUS	\$487,614

Unaudited financial report for the year ended 12/31/2017

