



KING COUNTY

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Signature Report

April 28, 2008

Ordinance 16075

Proposed No. 2008-0183.1

Sponsors Gossett, Patterson and Phillips

1 AN ORDINANCE relating to the credit
2 enhancement program for affordable workforce
3 housing; and amending Ordinance 12808, Section
4 2; as amended, and K.C.C. 24.28.010, Ordinance
5 14269, Section 4, and K.C.C. 24.28.030 and
6 Ordinance 14269, Section 5, and K.C.C.
7 24.28.040.

8
9 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

10 SECTION 1. Ordinance 12808, Section 2, as amended, and K.C.C. 24.28.010 are
11 each hereby amended to read as follows:

12 The executive is hereby authorized to implement a credit enhancement program
13 utilizing the county's full faith, credit and resources to make available credit
14 enhancements for workforce housing projects assisting the poor and infirm. The
15 executive is further authorized to enter contingent loan agreements with housing
16 developers provided that the total amount of outstanding project debt benefiting from a
17 credit enhancement from King County through this program shall not exceed (~~(one)~~) two

18 hundred million dollars. The credit enhancement program and contingent loan
19 agreements shall adhere to the parameters defined in K.C.C. 24.28.020.

20 **SECTION 2. Credit enhancement program purpose and design.**

21 A. The credit enhancement program will add to the stock of workforce housing
22 aiding the poor and infirm of King County. The program is intended to create an
23 incentive to develop new types of housing, increased affordability for residents, and
24 realization of multiple growth management goals. Extension of credit enhancements to
25 housing developers to secure favorable financing terms for housing projects shall result in
26 tangible benefits to the direct beneficiaries, who are poor and infirm residents of the
27 proposed housing, and other public benefits, as appropriate. Credit enhancements may be
28 utilized when:

29 1. Enabling the development of needed housing that would not otherwise have
30 been built were the credit enhancement unavailable;

31 2. Increasing the affordability of individual units that are targeted for lower
32 income households within workforce housing projects; or

33 3. Providing a payment to King County in lieu of additional project affordability
34 for the purpose of developing affordable housing at another location.

35 B. Eligible applicants may include public housing authorities, non-profit
36 organizations, for-profit organizations, local governments, public agencies, and public
37 development authorities.

38 C. Eligible beneficiaries must be the poor and infirm of King County. These
39 persons are commonly recognized as households earning eighty percent or less of the
40 county median income and persons or households with special needs.

41 D. Credit enhancements are to be used to assist the development of mixed-
42 income projects that add to the stock of workforce housing units in King County,
43 including homeownership opportunities for eligible beneficiaries. Owned housing must
44 remain affordable for subsequent buyers who are eligible beneficiaries or upon resale to
45 an ineligible buyer the county shall recapture the subsidy provided by the credit
46 enhancement. Rental projects must guarantee long term affordability to eligible
47 beneficiaries. Eligible activities shall include new construction and acquisition and/or
48 rehabilitation of existing housing when the final product will yield additional workforce
49 housing units.

50 E. Projects assisted through the credit enhancement program must be located in
51 urban centers or within close proximity to transit hubs or corridors. Projects proposed to
52 be sited elsewhere may be considered when there are unique opportunities to aid eligible
53 beneficiaries. These projects shall nevertheless demonstrate access to employment,
54 transportation and human services, and adequate infrastructure to support housing
55 development.

56 F. Applications for credit enhancements should be accepted year round to
57 accommodate timely approval of final financial arrangements for projects. Proposed
58 projects must detail the financial benefit of the credit enhancement over the life of the
59 project and how that benefit will be realized by eligible beneficiaries residing in the
60 project.

61 G. All projects shall undergo rigorous internal county staff reviews by housing
62 and community development, finance and business operations, and the prosecuting
63 attorney review and underwriting for financial, legal and policy compliance. In addition,

64 projects shall undergo external underwriting by the county's economic development
65 consultant and bond counsel when merited. Where needed, opinions from a bond rating
66 service shall be required. Credit enhancements shall be used to improve the credit
67 worthiness of the housing developer, but shall never be used as a sole source of credit
68 worthiness of an applicant. Developers and developer teams shall be competent,
69 experienced and financially stable. Minimum standards for developers and projects shall
70 be established by the executive.

71 H. Projects shall conform with applicable county requirements for contracting
72 services.

73 I. All contingent loan agreements resulting in a credit enhancement for a project
74 shall be structured to minimize the county's financial risk and shall ensure the county's
75 right to review all project records and direct corrective measures deemed necessary to
76 prevent financial instability, material or technical default. All agreements shall be
77 reviewed and approved by appropriate county staff from housing and community
78 development, finance and business operations, the prosecuting attorney, and risk
79 management and shall be reviewed by the county's economic development consultant
80 and bond counsel, as appropriate.

81 J. Projects receiving credit enhancements shall have the option to make a
82 payment in lieu of providing additional project affordability. The payment shall be
83 allocated to the housing opportunity fund for the sole purpose of funding development of
84 affordable low-income housing.

85 K. Projects may vary in financial risk to the county. While financial risks are to
86 be minimized, the county may extend credit enhancements where risks exist, but only if

87 the county has adequate financial reserves to cover county credit enhancement
88 obligations.

89 SECTION 3. Ordinance 14269, Section 4, and K.C.C. 24.28.030 are each hereby
90 amended to read as follows:

91 A. The executive shall establish a credit enhancement reserve account within the
92 housing opportunity fund. Interest income generated by the reserve account shall be
93 retained in the reserve account to increase the amount of credit enhancement reserve
94 funds. Funds contained in the credit enhancement reserve account shall be used if, under
95 the terms of a contingent loan agreement, the county is obligated to make a loan to a
96 housing development that has received credit enhancement.

97 B. The executive is authorized to collect an application fee (~~equal to~~) between
98 0.2 and 0.4 percent of the amount of project debt that is credit enhanced. The application
99 fee shall be payable at the time that a contingent loan agreement is approved. The
100 proceeds of this fee shall be deposited in the credit enhancement reserved account. In
101 establishing the level of the application fee authorized in this section, the executive shall
102 give primary consideration to the costs incurred by the county for processing an
103 application for credit enhancement.

104 C. The credit enhancement reserve account shall not exceed an amount equal to
105 one percent of the total outstanding credit enhanced project debt. Reserve account funds
106 in excess of the required credit enhancement reserve shall be transferred to the housing
107 opportunity fund, and used for program administrative costs.

108 SECTION 5. Ordinance 14269, Section 5, and K.C.C. 24.28.040 are each hereby
109 amended to read as follows:


110 The executive is authorized to impose an annual monitoring fee ((e)f) between
 111 0.05 and 0.10 percent of the amount of project debt that is credit enhanced. The proceeds
 112 of this fee shall be deposited in the ((H))housing ((O))opportunity ((F))fund and used for
 113 program administrative costs. In establishing the level of the annual monitoring fee
 114 authorized in this section, the executive shall give primary consideration to the costs
 115 incurred by the county for monitoring projects which have received credit enhancement
 116 from the county.

117

Ordinance 16075 was introduced on 3/24/2008 and passed by the Metropolitan King County Council on 4/28/2008, by the following vote:

Yes: 8 - Ms. Patterson, Mr. Dunn, Ms. Lambert, Mr. von Reichbauer, Mr. Ferguson, Mr. Gossett, Mr. Phillips and Ms. Hague
 No: 0
 Excused: 1 - Mr. Constantine

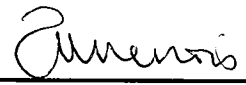
KING COUNTY COUNCIL
 KING COUNTY, WASHINGTON




 Julia Patterson, Chair

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 KING COUNTY COUNCIL
 CLERK

ATTEST:



 Anne Noris, Clerk of the Council
 APPROVED this 6 day of May, 2008.



 Ron Sims, County Executive

Attachments A. King County Credit Enhancement Program Activity, B. Projected Available Credit Enhancement Authority Based Upon Principal Reduction on Credit Enhancement Debt, C. Credit Enhancement Credit Committee Members

Attachment A - King County Credit Enhancement Program Activity

King County Affordable Housing Credit Enhancement Program Project Commitments				
Project Name, Location and Owner	Date of Commitment	Amount of Project Debt Provided Credit Enhancement	Value of Credit Enhancement	Total Units/ Affordable Units
Woodridge Park Apartments, Riverton Heights King County Housing Authority	May 1995*	\$4,860,000	\$420,000	201 units/ 9 with additional affordability
Windsor Heights Apartments, SeaTac King County Housing Authority	August 1998	\$10,650,000	\$425,000	327 units/ 75 units with additional affordability
Ellsworth House Apartments, Mercer Island St. Andrews Housing Group	October 1999	\$670,000	\$160,000	59 units/ 59 affordable
Overlake Transit Oriented Development, Redmond King County Housing Authority	July 2000	\$28,000,000	\$3,416,400	306 units/ 306 affordable
Eastwood Square Apts. Bellevue King County Housing Authority	October 2001	\$4,000,000	\$500,000	48 units/48 affordable
Greenbridge- Seola Crossing Phase White Center King County Housing Authority	April 2006	\$35,000,000	\$2,700,000	929 units/455 affordable
Greenbridge- Nia Apartments Phase White Center King County Housing Authority	April 2007	\$15,000,000	\$150,000	Same as Seola Crossing above
280 Clark Apartments Issaquah St. Andrews Housing Group	August 2007	\$3,000,000	\$200,000	38 units/38 units affordable

*Approved prior to establishment of program

Projected Available Credit Enhancement Authority Based Upon
Principal Reduction on Credit Enhancement Debt

Project	Initial Credit Enhanced Principal	Principal Reduction											Outstanding Cumulative Principal	
		Pre-2000	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		2010
Woodridge Park	\$4,860,000	\$275,000	\$80,000	\$80,000	\$85,000	\$90,000	\$95,000	\$100,000	\$110,000	\$115,000	\$120,000	\$125,000	\$130,000	\$3,455,000
Windsor Heights	\$10,650,000	\$160,000	\$170,000	\$175,000	\$180,000	\$190,000	\$200,000	\$210,000	\$215,000	\$230,000	\$240,000	\$250,000	\$260,000	\$8,170,000
Ellsworth House	\$670,000		\$9,461	\$10,045	\$10,664	\$11,322	\$11,667	\$12,283	\$12,932	\$13,614	\$14,300	\$15,000	\$15,000	\$548,712
Overlake TOD	\$33,250,000			\$9,525,000	\$0	\$0	\$0	\$0	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$23,525,000
Eastwood Square	\$4,000,000			\$5,000	\$35,000	\$35,000	\$35,000	\$40,000	\$40,000	\$40,000	\$40,000	\$45,000	\$45,000	\$3,870,000
Greenbridge #1	\$35,000,000							\$0	\$0	\$0	\$0	\$4,055,000	\$8,055,000	\$22,890,000
Greenbridge #2	\$15,000,000								\$0	\$0	\$0	\$0	\$15,000,000	\$0
280 Clark Apts	\$3,000,000								\$0	\$30,000	\$30,000	\$35,000	\$35,000	\$2,900,000
Total Authority Used	\$106,430,000													\$65,358,712
Principal Reduction by Year		\$435,000	\$250,000	\$264,461	\$9,805,045	\$325,664	\$341,322	\$356,667	\$377,283	\$447,932	\$493,614	\$4,574,300	\$23,590,000	
Cummulative Returned Authority		\$435,000	\$685,000	\$949,461	\$10,754,506	\$11,080,170	\$11,421,492	\$11,778,159	\$12,155,442	\$12,603,374	\$13,096,988	\$17,671,288	\$41,261,288	
Remaining Authority					\$5,725,442	\$6,173,374	\$6,666,988	\$11,241,288	\$11,241,288	\$11,241,288	\$11,241,288	\$11,241,288	\$34,831,288	

Attachment C - Credit Enhancement Credit Committee Members

Susan Duren, President, Washington Community Reinvestment Association

Patrick Howard, Founding Member, Evergreen Pacific Capital

Ron Lehr, Senior Vice-president, Wells Fargo Bank

Nigel Lewis, Senior Debt Analyst, Treasury Operations Section, Executive Services

Caroline McShane, Deputy Director, FBOD, Executive Services

Marty Lindley, Business Director, DCHS

To be named-Budget Supervisor, Office of Management and Budget.