



Legislation Text

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

BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

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

The executive is hereby authorized to implement a credit enhancement program utilizing the county's full faith, credit and resources to make available credit enhancements for workforce housing projects assisting the poor and infirm. The executive is further authorized to enter contingent loan agreements with housing developers provided that the total amount of outstanding project debt benefiting from a credit enhancement from King County through this program shall not exceed (~~(one)~~) two hundred million dollars. The credit enhancement program and contingent loan agreements shall adhere to the parameters defined in K.C.C. 24.28.020.

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

A. The credit enhancement program will add to the stock of workforce housing aiding the poor and infirm of King County. The program is intended to create an incentive to develop new types of housing, increased affordability for residents, and realization of multiple growth management goals. Extension of credit

enhancements to housing developers to secure favorable financing terms for housing projects shall result in tangible benefits to the direct beneficiaries, who are poor and infirm residents of the proposed housing, and other public benefits, as appropriate. Credit enhancements may be utilized when:

1. Enabling the development of needed housing that would not otherwise have been built were the credit enhancement unavailable;
2. Increasing the affordability of individual units that are targeted for lower income households within workforce housing projects; or
3. Providing a payment to King County in lieu of additional project affordability for the purpose of developing affordable housing at another location.

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

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

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

E. Projects assisted through the credit enhancement program must be located in urban centers or within close proximity to transit hubs or corridors. Projects proposed to be sited elsewhere may be considered when there are unique opportunities to aid eligible beneficiaries. These projects shall nevertheless demonstrate

access to employment, transportation and human services, and adequate infrastructure to support housing development.

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

G. All projects shall undergo rigorous internal county staff reviews by housing and community development, finance and business operations, and the prosecuting attorney review and underwriting for financial, legal and policy compliance. In addition, projects shall undergo external underwriting by the county's economic development consultant and bond counsel when merited. Where needed, opinions from a bond rating service shall be required. Credit enhancements shall be used to improve the credit worthiness of the housing developer, but shall never be used as a sole source of credit worthiness of an applicant. Developers and developer teams shall be competent, experienced and financially stable. Minimum standards for developers and projects shall be established by the executive.

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

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

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

K. Projects may vary in financial risk to the county. While financial risks are to be minimized, the county may extend credit enhancements where risks exist, but only if the county has adequate financial reserves to cover county credit enhancement obligations.

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

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

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

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

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

The executive is authorized to impose an annual monitoring fee (~~(of)~~) between 0.05 and 0.10 percent of the amount of project debt that is credit enhanced. The proceeds of this fee shall be deposited in the ~~(H)~~housing ~~(O)~~opportunity ~~(F)~~fund and used for program administrative costs. In establishing the level of the

annual monitoring fee authorized in this section, the executive shall give primary consideration to the costs incurred by the county for monitoring projects which have received credit enhancement from the county.