



Legislation Text

File #: 2001-0479, **Version:** 2

Clerk 12/05/2001

AN ORDINANCE relating to the credit enhancement program for affordable workforce housing; and amending Ordinance 12808, Section 2, as amended, and Ordinance 12808, Section 3, as amended, and adding a new chapter to K.C.C. Title 24.

BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

SECTION 1. Findings.

A. It is hereby found and declared that the public interest, welfare and benefit require that the county utilize all appropriate and available national, state and local resources to aid the poor and infirm of King County. Chief among the needs of low- and moderate-income households, elderly and disabled persons is suitable and affordable housing. Local government involvement assisting development of housing for low-, moderate- and median-income households is needed in the current and foreseeable future of the housing market in King County. It is necessary to develop a variety of tools, incentives and mechanisms to generate and provide funding for workforce housing.

B. The council also finds that a component of housing price is the cost of financing the acquisition and construction of the housing and the required repayment of short and long-term loans. The interest rate associated with loans can greatly affect the overall cost of the housing.

C. Article VIII, Section 7 of the Washington State Constitution allows the county to give money or property, or loan its money or credit, to or in aid of any individual, association, company or corporation when it is for the necessary support of the poor or infirm.

D. King County, in 1995, successfully entered into a contingent loan agreement with the King County Housing Authority, thereby funding an additional nine units of housing affordable to very low-income households.

E. In 1997, the council adopted Ordinance 12808 establishing a credit enhancement program and directed the executive to prepare guidelines for program administration.

F. In 1998, the council adopted 13093, amending Ordinance 12808, and also adopted Motion 10445, approving program guidelines. The program guidelines include application procedures, underwriting standards, and creation of a review committee comprised of county department representatives and industry experts to make recommendations regarding credit enhancement applications to the county executive.

G. In 1998 through 2000, King County entered into three additional contingent loan agreements, creating or preserving four hundred forty units of affordable housing. The credit enhancement program's portfolio includes three completed projects that are financially performing above projections and a fourth development that is under construction, with completion anticipated in early 2002.

H. The approved credit enhancement projects have used approximately forty-nine million dollars of the fifty million dollars in credit enhancement authority originally approved by the council. The committed credit authority will become available for new housing projects as bond principle is repaid over the next thirty years. An increase in credit enhancement authority will allow the county to continue to support the construction and preservation of affordable workforce housing using this valuable financing tool.

SECTION 2. Ordinance 12808, Section 2, as amended, is hereby amended to read as follows:

~~((Authority.))~~ **Authority.** The executive is hereby authorized to implement a ~~((C))~~credit ~~((E))~~enhancement ~~((P))~~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 ((

\$50)) one hundred million dollars. The ~~((€))credit ((£))enhancement ((P))~~program and contingent loan agreements shall adhere to the parameters defined in Ordinance 12808, Section 3, as amended.

SECTION 3. Ordinance 12808, Section 3, as amended, is hereby amended to read as follows:

~~((Credit Enhancement Program Purpose and Design:))~~ **Credit enhancement program purpose and design.**

~~((Policy Emphasis:))~~ A. The ~~((€))credit ((£))enhancement ((P))~~program will ~~((be a new initiative to))~~ 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 (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; and/or 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.

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

~~((Eligible Beneficiaries:))~~ C. Eligible beneficiaries must be the poor and infirm of King County. These persons are commonly recognized as households earning ~~((80%))~~ eighty percent or less of the county median income and persons or households with special needs.

~~((Eligible Activities:))~~ D. Credit enhancements are to be used to assist the development of mixed-income projects ~~((which))~~ 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.

~~((Project Siting:))~~ E. Projects assisted through the ~~((C))~~credit ~~((E))~~enhancement ~~((P))~~program ~~((shall))~~ must be located in urban centers or within close proximity to transit hubs or corridors ~~((as shown on Attachment A))~~. Projects proposed to be sited elsewhere ~~((shall))~~ 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.

~~((Selection Process:))~~ 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.

~~((Financial Review:))~~ G. All projects shall undergo rigorous internal county staff (housing and community development, finance~~((,))~~ and prosecuting attorney) ~~((, risk management,))~~ review and underwriting for financial, legal and policy compliance. In addition, projects shall undergo external underwriting by the county's economic development consultant~~((, lender))~~ 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.

~~((Compliance with King County Requirements:))~~ H. Projects shall conform with applicable county requirements for contracting services.

~~((Financial Agreements:))~~ I. All ~~((financial))~~ 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 (housing and community development, finance, prosecuting attorney, risk management ((;))) and shall be reviewed by the county's economic development consultant((,-lender)) and bond counsel, as appropriate.

~~((Payment in Lieu:))~~ 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 ~~((H))~~ housing ~~((O))~~ opportunity ~~((F))~~ fund for the sole purpose of funding development of affordable low-income housing.

~~((Financial Reserves:))~~ K. Projects will vary in financial risk to the county. While financial risks are to be minimized, the county may extend credit enhancements where risks exist, provided the county has adequate financial reserves to cover county credit enhancement obligations.

NEW SECTION. SECTION 4. Reserve funds.

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 0.2 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 reserve account.

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.

NEW SECTION. SECTION 5. **Annual monitoring fee.** The executive is authorized to impose an annual monitoring fee of 0.05 percent of the amount of project debt that is credit enhanced. The proceeds of this fee shall be deposited in the Housing Opportunity Fund and used for program administrative costs.

NEW SECTION. SECTION 6. Ordinance 12808, Section 1, Ordinance 12808, Section 2, as amended, Ordinance 12808, Section 3, as amended, Ordinance 13093,

Section 3, section 4 of this ordinance and section 5 of this ordinance should constitute a new chapter in K.C.C.

Title 24.

none