April 15, 1998

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Introduced By: ~~Cynthia Sullivan~~ ROB MCKENNA

Proposed No.: 98-171

MOTION NO. 10445

A MOTION approving program guidelines for the Credit Enhancement Program for the development of workforce housing in cooperation with project developers and lenders.

WHEREAS, there is a significant need for workforce housing to serve moderate income households in King County, and

WHEREAS, federal housing resources for housing are in decline and local and state assistance remain inadequate to meet housing needs, and

WHEREAS, 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, and

WHEREAS, Ordinance No. 12808 authorizes the executive to develop and administer a Credit Enhancement Program using the county's full faith, credit and resources to assist the poor and infirm obtain workforce housing, and

WHEREAS, the attached program guidelines will encourage partnerships with private developers and lenders which will result in the development of affordable housing, 10445

NOW, THEREFORE, BE IT MOVED by the Council of King County:

The executive is authorized to implement the Credit Enhancement Program for affordable housing in accordance with the attached program guidelines.

PASSED by a vote of 12 to 1 this 20th day of April, 1998.

KING COUNTY COUNCIL

KING COUNTY, WASHINGTON

Louise Miller

Chair

ATTEST:

[signature]

Clerk of the Council

Attachments:

A. Affordable Housing Credit Enhancement Program Guidelines, amended April 15, 1998

AFFORDABLE HOUSING CREDIT ENHANCEMENT PROGRAM GUIDELINES
April 15, 1998

1. PROGRAM PURPOSE AND DESIGN

The Affordable Housing Credit Enhancement Program is a new initiative to provide assistance for development of workforce housing. Through this program King County will work with housing developers who are either constructing or acquiring and rehabilitating workforce housing for a range of incomes. King County will provide a credit enhancement, which will reduce the financing costs for the housing development. As a result of the project savings, affordable housing units for households with incomes up to 80 percent of the King County median ($42,500 for a 3-person household in 1998) will be created within the development or at another location.

The program will be implemented through the use of a Contingent Loan Agreement (CLA) between King County and the housing owner. In the CLA, King County will commit to loan funds to the owner in the event that the project runs into cash flow problems that prevent timely bond or mortgage payments. The County's commitment will assure that debt payments to the lender(s) will be met. In the CLA the owner commits to provide affordable housing in the project or makes a payment to King County to fund affordable housing at another location. If the project requires a loan, the project owner commits to repay the loan once the project is stabilized.

The projects intended to benefit from the credit enhancement are those which:

- increase the supply of affordable workforce housing
- are located near urban centers and transit corridors
- are based upon conservative financial assumptions and structured to minimize the County's risk
- assure long-term affordability for eligible households

2. PROJECT ELIGIBILITY

Projects must meet the following minimum criteria to be eligible to apply for a credit enhancement.

<u>Eligible Housing Developers/Owners</u>
- for-profit developers
- nonprofit developers
- public housing authorities
- public development authorities

Eligible Beneficiaries

- Home buyers with incomes at or below 80 percent of median income
- Renter households with incomes at or below 60 percent of median income
- Low-income persons or households with special needs, that is, people with disabilities and others who need supportive services along with affordable housing

Eligible Project Types

- new construction
- acquisition of housing that results in reduced housing costs and/or preservation of affordable housing that is threatened
- rehabilitation that is necessary to preserve affordable housing
- acquisition and rehabilitation that results in reduced housing costs and/or preservation of affordable housing that is threatened

Term of Affordability

- Home ownership - home ownership projects will be subject to deed restrictions concerning the terms of resale. Upon resale, the home must remain affordable for subsequent buyers or the County will recapture the subsidy provided by the credit enhancement.
- Rental housing - the agreed-upon number of affordable units must be provided for a minimum of 20 years.

Project Location

Projects must be located in King County outside the City of Seattle. Projects must be located within urban centers or in close proximity to transit hubs or corridors. Projects in other locations will be considered if they provide a unique development opportunity.

Financial Feasibility

Projects must provide evidence of lender-approved financing with the loan being in conformance with the lender's standard loan approval guidelines, without use of the King County credit enhancement, to demonstrate that the project is financially viable and poses an acceptable level of risk. The purpose of the program is to lower the costs of project development, not to provide essential project financing that makes an otherwise infeasible project go forward. Projects may employ conventional bank, pension fund or bond financing (tax exempt or taxable).

3. ADDITIONAL APPLICATION REQUIREMENTS

Development Budget

Applicants must provide a development proforma that is realistic and reflective of the current construction environment. Proforma information should be based upon conservative assumptions and time frames. The basis for the assumptions in the development proforma must be stated and justified.

Operating Budget
Operating costs for rental projects should reflect actual project history in the case of acquisition projects. Operating cost assumptions for both new construction and existing projects must be in line with industry averages as compiled by real estate research firms, such as Dupree+Scott. Homeownership projects do not need to submit an operating budget.

Management Plan
Management plans will be required of all applicants proposing rental housing. The management plan should include but is not limited to the following components:

- applicant's management philosophy
- process for determining rent increases and procedures for dealing with concerns, complaints, or issues raised by tenants or neighbors
- procedures for handling late payment of rent or damage to units
- long-term property maintenance plan

Market Study/Title Report
The applicant must submit a copy of the market study for the proposed project , and a title report and disclosure of all liens and obligations affecting the project. Demand, absorption rate, sales price or rent level projections, vacancy factor, comparable projects and locational factors should be key components of any market study.

Financial Capacity of Applicant
Applicants must provide documentation related to their financial strength and stability including financial statements and audits. In addition, where partnerships have been formed for the purpose of developing the specific project, a copy of the partnership agreement must be submitted along with the financial information of all partners.

Experience of the Applicant
Applicants must have experience which indicates that they have the ability to successfully complete the type of project in scope, market, size and type for which they are requesting the credit enhancement. Documentation of successfully completed projects must accompany the application.

Scope of Work and Schedule
Applicants must provide a complete scope of work detailing all major items related to project development, including a realistic schedule for completion and occupancy of the project.

Use of Minority/Women Owned Enterprises and Prevailing Wage Rates
The program will require that a percentage of project construction work be set-aside for State certified minority and women owned businesses doing business in King County. This percentage will be determined by King County's Office of Minority/Women Business Enterprises Contract Compliance. Washington State prevailing wage rates will also apply to all construction elements in the project.

4. DETERMINING THE AMOUNT OF CREDIT ENHANCEMENT AND AFFORDABLE HOUSING BENEFIT

In general, the amount of project savings that can be achieved through a credit enhancement, and therefore the number of affordable housing units that will be created, will depend on the amount and duration of the project financing. For example, a project with a $5 million debt paid over 30 years will achieve greater savings from a credit enhancement than a project with a $1 million debt over a 3-year construction period.

For each project seeking a credit enhancement, the CLA between King County and the project developer will establish (1) the portion of project debt to be credit enhanced and (2) the amount of affordable housing to be provided within the project or payment in lieu of units to be made to King County.

<u>Credit Enhancement Limit</u>
King County will not provide a credit enhancement for the entire amount of the project financing unless there is a clear benefit to the County to do so. Generally, the County will limit the amount of project debt enhanced to 30% of project debt. This will generally provide enough credit enhancement to maximize the impact on project debt service cost, short of providing a credit enhancement for the entire project debt. Limiting the amount of debt enhanced will reduce King County's obligation and will allow the program to assist a larger number of projects. The project developer and King County will jointly review the project's development and operating budgets to determine the amount of credit enhancement that will provide a significant savings in financing costs.

<u>Allocation of Project Savings</u>
As an incentive for developers to participate in the program, a portion of the project savings achieved by the credit enhancement, not to exceed 25%, may be retained by the project developer. The proportion of project savings allocated to the project's owner/developer will be lower in large projects where the savings achieved is relatively high. Other factors affecting the allocation of project savings include: interest rate and other financing terms, the total amount of credit enhancement savings, the level of affordability provided, and the length of time affordability is guaranteed.

<u>Affordable Housing Benefit</u>
The remaining amount of project savings must be used to provide affordable housing within the development. Negotiations will be handled on a case by case basis to establish the length and level of affordability and the number of units provided in the project. As an alternative, the developer may propose to make a payment to King County of the remaining amount of project savings to fund affordable housing at another location.

5. PROJECT SELECTION PROCESS

Housing developers may apply for a credit enhancement throughout the year. Applications materials are available at:

King County Housing and Community Development Program
Community Services Division
700 Fifth Avenue, Suite 3700
Seattle, WA 98104-5037

Preliminary Application
Applicants will be requested to submit a preliminary application that provides the required application information, evidence of approved financing for the project, title report, and disclosure of any liens and obligations which already exist on the project. The preliminary application would also include a proposal regarding the amount of credit enhancement and affordable housing benefit. The application will be screened for conformance with minimum program requirements and underwritten by HCD staff. HCD staff will meet with the applicant to discuss the credit enhancement amount and affordable housing benefit, as well as any questions that arise regarding the preliminary proposal. Based on this evaluation, the applicant will submit a final application, and County staff will prepare a draft CLA.

Final Application
Final proposals will be reviewed by a loan committee that will include staff from the County's Department .Community and Human Services, Department of Finance and Office of Budget and Strategic Planning and private lenders. Outside advisors may also be consulted as needed. The loan committee will make a recommendation to the Director of the Department of Community and Human Services and to the County Executive. The CLA will be reviewed and approved by the King County Prosecuting Attorney's Office.

6. CONTINGENT LOAN AGREEMENT TERMS

A CLA will be tailored to meet the specific project requirements. The CLA will include the following components:

Reporting Requirements
Recipients of the CLA will be required to submit quarterly reports consisting of but not limited to: vacancies, financial statements, operating budgets and replacement expenditures. The CLA recipient will be required to inform the County at any time they perceive a chance that the County be required to make a loan. Not keeping the County apprised of project status could void the CLA.

Restrictive Land Use Covenant
A restrictive land use covenant will be placed upon the project property to ensure that the increased affordability of certain units is maintained over the specified period. The covenant will be duly recorded in King County and become part of the permanent public record. A covenant will not be applicable in projects where payment in lieu of units is employed.

When King County Loan is Triggered
King County's CLA obligation will be triggered when project operating funds prove insufficient to cover annual operating costs and the project owner is financially exhausted. Information documenting this condition is required prior to King County performing on its CLA obligation. The owner must provide the most recent project financial information; including but not limited to audits, financial statements, project records and the most current operating budget projections. Any funds that King County provides to the project under the CLA will go directly to the lender.

King County Remedies
King County shall retain the right to have input into project operations should periodic financial review indicate potential problems with the project's financial performance or owner's financial ability to perform. If it is possible that King County's CLA obligation will be triggered, King County shall have the right to:

- Change the property management company
- Amend project operating policies
- Amend budgeted line items
- Require all cash flow to stay in the project until the operating shortfall is rectified

Default Provisions and Cure Timeline
The CLA will define under what conditions the County can declare a default of the CLA and the timeline for a cure. A default as defined by the CLA will occur when there is no reasonable expectation that the project can financially stabilize within a time period defined in the CLA. Should default occur, the County shall have the ability to direct the project owner to sell the property. Any net proceeds from sale will be used to pay off all underlying debt that the County has enhanced. Should net proceeds be insufficient to cover the total enhanced debt, the County will provide funds to the project lender to pay off the underlying enhanced debt.

10445

Metropolitan King County Council
Housing and Policy Planning Committee
Revised Staff Report

Agenda Item No.:
Proposed Ordinance 98-170
and Motion: 98-171
Attending: Linda Peterson, Housing and Community Development Program; Jim Hatori, Seattle-Northwest Securities Corporation

Name: Beth Mountsier
Date: April 20, 1998

SUBJECT:
An ordinance relating to the Credit Enhancement Program for workforce housing, amending Ordinance 12808, Sections 2 and 3. And, a motion approving program guidelines for the Credit Enhancement Program for the development of workforce housing in cooperation with project developers and lenders.

BACKGROUND:
The Housing and Policy Planning Committee has been studying and developing a variety of tools, incentives, and mechanisms to generate and provide funding for workforce housing in King County. Workforce housing is defined as housing serving households earning between 30% and 120% of the county median income.

Ordinance 12808 (known as the Credit Enhancement Ordinance) was adopted by the Council in July, 1997. The ordinance was written based on discussions at four meetings of the Housing and Policy Planning Committee. Initial discussions were in response to an Executive prepared discussion paper entitled King County Credit Enhancements for Affordable Housing Projects (May 2, 1997). The Executive's discussion paper found that 1) there are tangible benefits to projects utilizing credit enhancements, 2) there is increasing familiarity with the practice of credit enhancements, and 3) there could be minimal direct costs to the County, nor risk to incurring direct costs (provided financial risks are minimized through proper financial underwriting and program design) through credit enhancements. To elaborate on the these points:

- Credit enhancements, in the form of loan guarantees or contingent loan agreements typically lower or "freeze" interest rates thereby reducing the financing costs for the projects and producing savings that can be passed on to the project. In some cases the credit enhancement will enable the development of affordable housing that would not otherwise have been built. In other cases, it can allow deeper subsidies to build housing serving even lower income households.
- Private lenders and investors are increasingly familiar with utilizing credit enhancements in affordable housing projects and pass that value on in the form of favorable interest rates.
- Little or no County funding is required, unless a project goes into default. Although default on a project can require expenditure of County funds, this risk can be minimized by requiring superior financial underwriting, proper program design and thorough management and oversight by the County.

Ordinance 12808 directed the Executive to develop a Credit Enhancement Program for Council approval based on parameters defined in Section 3 of the ordinance. Executive staff from Housing and Community Development, Finance, Office of Budget and Strategic Planning, Risk Management and the Prosecuting Attorney's office have participated in developing the program guidelines (attached here as Proposed Motion 98-171) and assisted the

Executive in preparing amendatory language to Ordinance 12808 to implement the program (attached as Proposed Ordinance 98-170).

SUMMARY:

Ordinance 12808 contains the following key directives from the Council:

1. The Executive is to develop a program for Council approval based on the parameters of the ordinance.
2. The program shall create an incentive to develop new types of housing, increased affordability for residents and realization of multiple growth management goals.
3. Credit enhancements must result in tangible benefits to the poor and infirm of King County.
4. The program will be available to public housing authorities, non-profit organizations, for-profit organizations, local governments, public agencies and development authorities.
5. The program will be used for new construction or acquisition and rehabilitation of existing housing.
6. Projects using the program will be sited in urban centers or in close proximity to transit hubs or corridors. In unusual cases, projects may be sited elsewhere where there is still good access to transit, employment, human services, etc.
7. The Executive will develop a selection process, but the intent of the ordinance is to accept applications year round.
8. Financial review of applications is to be rigorous by county staff and outside advisers, as needed
9. Developers and projects will conform to county requirements for contracting services.
10. Financial agreements for projects will be approved by the Council on a one by one basis.
11. Financial agreements will ensure the County's risk is minimized and will give the County rights to review and direct corrective measures deemed necessary to prevent financial instability, material or technical default
12. The Executive will analyze the potential demand for credit enhancements and will recommend financial reserves, as appropriate as part of the his 1998 Executive Proposed Budget and subsequent budgets.
13. The program is to be developed by February 1998 and implemented upon approval by the Council.

The Executive's Proposed Ordinance 98-170 and Motion 98-171 to implement the Credit Enhancement Program contains the following key features:

- Authorizes the program to provide credit enhancement on a total of up to $50 million in housing project debt. It is estimated this quantity of credit enhancements could produce approximately 520 units in 30 housing projects over the next five to eight years;
- Broadens the scope of projects that can be assisted to include rental and ownership housing, both new construction and acquisition/rehabilitation;
- Proposes to protect the County's financial position by providing conservative project underwriting, requiring experienced and capable housing developers, and utilizing contingent loan agreements that minimize financial risk;
- Proposes authorizing the Executive to enter contingent loan agreements with housing developers (without further Council approval) to allow efficient and responsive use of this new housing financing tool;
- Provides annual reports to the Council regarding program accomplishments and the status of housing projects receiving credit enhancement.

The proposed program differs slightly from the Council's directives, particularly in the area of the type of projects to be served by the program and oversight by the Council. The Executive has also proposed a cap on the total amount of housing project debt to be credit enhanced to provide sufficient financial protection to the County's assets and credit rating.

At the March 18, 1998 meeting of the Housing and Policy Planning Committee, executive staff provided information regarding the process that was undertaken to develop the program, the rationale for departures from the directives of the original ordinance, and particular aspects of the program.

Analysis of Ordinance 98-170

The following is a summary and brief analysis of the proposed amendments to Ordinance 12808 contained in Proposed Ordinance 98-170:

1. **Page 2, lines 15 & 16** - authorizes the Executive to implement the Credit Enhancement Program.
   Technical change to authorize the Executive to implement rather than develop the program.

2. **Page 2, lines 18-21** – authorizes the Executive to enter into contingent loan agreements with various housing developers provided the total amount of outstanding project debt secured through King County credit enhancements does not exceed $50 million.
   Caps the total amount of outstanding project debt secured through credit enhancements at $50 million per recommendations by the County's financial adviser (Jim Hatori, Seattle-Northwest Securities Corporation). The cap amount was recommended based on the County's total operating budget and other factors. Mr. Hatori confirmed his appraisal of the Credit Enhancement Program's potential impact on the County's budget and credit rating at the 4/15/98 meeting of the HPPC.

3. **Page 2, lines 21 & 22** - clarifies that the Credit Enhancement Program and contingent loan agreements shall adhere to the parameters defined in Section 3 or Ordinance 12808.
   Technical change to identify that the Credit Enhancement Program and contingent loan agreements will conform to the council defined parameters for the program.

4. **Page 3, lines 7 & 8** - adds a condition under which credit enhancements may be used. Allows a payment to King County in lieu of additional project affordability to be used for developing affordable housing at another location.
   During development of the program guidelines - comments from stakeholders and advisers noted that in some projects it may not be feasible, nor desirable to reinvest the savings accrued from the credit enhancement in additional project affordability. Homeownership projects in particular may not accrue much in the way of savings because the loan term will be relatively short. The amount that could be reinvested in the project to lower the cost of a unit(s) might be insignificant to potential buyers. This change allows payment in lieu to the Housing Opportunity Fund to accommodate more options for use of the savings. Each project will be evaluated on its merits when the reinvestment terms are negotiated with the Executive.

5. **Page 3, lines15-17** - clarifies that credit enhancements will be used to assist development of mixed-income projects, including (but not exclusively) homeownership opportunities.
   This change and the following one opens the Credit Enhancement Program to rental projects more than originally proposed in Ordinance 12808. Executive staff found that developers and lenders felt the program would have limited applicability to homeownership projects because the term of the loan (and credit enhancement) is typically short term. Therefore, a limited amount of savings can be accrued. Instead, the program can be used most advantageously for longer term mortgages, in particular, bond financed projects.

6. **Page 3, lines 20 & 21** - allows rental projects to use credit enhancements without necessarily being developed in conjunction with a homeownership project.
   See comments at #5 above

7. **Page 5, lines 1 & 2** - eliminates the requirement for Council approval of the financial agreements for each project.

This change is proposed based on comments from the County's financial adviser, developers and lenders. First, initially it was assumed that others evaluating the County's financial risks and recorded debts might evaluate each credit enhanced project based on its individual risks and the underwriting standards that had been applied, etc. Instead, the County's financial adviser counseled that it will be assumed that each project was thoroughly reviewed and underwritten. The larger issue for those assessing the County's credit worthiness, (and therefore cost of borrowing) will be the total amount of project debt secured through the County's credit enhancement without regard to how great or minimal the risks of default on an individual project.

In addition, developers and lenders who commented on the program were concerned about the timeliness of review and arrangements for contingent loan agreements. They were concerned about the additional time required for Council review on each project.

The Executive proposes the Council authorize him to enter into the contingent loan agreements - based upon the criteria stipulated in the ordinance and guidelines. And, the Executive proposes to report on an annual basis to the Council on the status of the program, outstanding debt secured through credit enhancements, etc.

8. **Page 5, lines 9-12** - adds the option for projects receiving credit enhancements to make a payment in lieu of providing additional project affordability. The payment would be added to the Housing Opportunity Fund (HOF) for the purpose of building low-income housing.
   See comments at #4 above

9. **Page 5, lines 16-18** - strikes language regarding analysis of the demand for credit enhancements and reserves that might be required.
   Technical change, the analysis has been completed, no reserves are recommended at this time.

10. **Page 6, lines 1-5** - adds a requirement of the Executive to provide annual reports on the status of the Credit Enhancement Program.
    Addition to Ordinance 12808 requiring reporting function from the Executive. Is intended to inform the Council on the use of the program and potential debts accrued versus reporting the information on a project by project basis.

Analysis of Proposed Motion 98-171

The purpose of Proposed Motion 98-171 is to adopt the Affordable Housing Credit Enhancement Program Guidelines. The guidelines in turn implement the intent of Ordinance 12808 and Proposed Ordinance 98-170. The following is a summary (by section) of the proposed program guidelines:

Section 1. Program Purpose and Design

States the purpose of the program to assist development of workforce housing through the use of Contingent Loan Agreement with housing developer/owners. This language was amended by the Housing and Policy Planning Committee to clarify what type of developments can use the Credit Enhancement Program.

Section 2. Project Eligibility

a) *Eligible developers/owners are any developer or other public agency which builds housing*
b) *Eligible beneficiaries are moderate income home buyers, low income renters and other low income persons or households with special needs*
c) *Eligible project types include new construction, acquisition of existing projects, rehabilitation that is necessary to preserve affordable housing, and any combination of the same*
d) *Eligible projects will provide long term affordability for homeowners or renters.*

e) Eligible projects will be located in King County outside the City of Seattle, within urban centers or in close proximity to transit hubs or corridors. Projects not meeting this criteria will be considered if they provide unique development opportunities.

f) Eligible projects must be financially viable with approved for lender financing without the County's credit enhancement prior to application to King County.

Section 3. Additional Application Requirements

Applications to the County must include the following documentation

a) Development Budget
b) Operating Budget
c) Management Plan
d) Market Study/Title Report
e) Documentation of the Financial Capacity of the Applicant
f) Documentation of the Development Experience of the Applicant
g) Scope of Work and Schedule

Successful applicants will also be required to adhere to a set-aside for certified minority and women owned businesses as determined by King County's Office of Minority/Women Business Enterprises Contract Compliance.

Section 4. Determining the amount of Credit Enhancement and Affordable Housing Benefit

Acknowledges that each project will be different and project savings that can be applied to additional project affordability will vary based on the amount and duration of the project financing. Each CLA will establish the portion of project debt to credit enhanced and amount of affordable housing to be provided or payment in lieu to King County.

a) Credit enhancements proposed to be limited to no more than 30% of the total amount of project financing.
b) As an incentive to use the program and provide affordable units, developers will be allowed to retain up to 25% of the savings realized through the credit enhancement
c) Additional project affordability will be negotiated regarding the length and level of affordability and the number of units provided in the project.

Section 5. Project Selection Process

Applications will be accepted year round. Applicants will file a preliminary application for initial screening by Housing and Community Development (HCD) staff to meet minimum standards. HCD will meet with applicants to discuss the credit enhancement amount and affordable housing benefit. Based on this evaluation, the applicant will submit a final application which is reviewed by a loan committee (comprised of County staff, private lenders and outside advisers as needed).

Section 6. Contingent Loan Agreement Terms

Each CLA will be tailored to meet specific project requirements but all will contain the following components:

a) Quarterly reporting of project status
b) Restrictive land use covenants to ensure increased affordability of certain units is maintained.
c) Terms under which the County's CLA obligation is triggered to remedy potential defaults
d) Terms under which the County can intervene and its authority to intervene in project management prior to activation of the CLA obligation
e) Default provisions and cure timeline are defined allowing the County to require the project owner to sell.

Fiscal Review of Ordinance 98-170 and Motion 98-171

Housing and Policy Planning Committee staff requested the assistance of Budget and Fiscal Management Committee staff to review the proposed ordinance, motion and guidelines. Staff review from both the committees was focused primarily on the fiscal impacts to the County should a project(s) that was credit enhanced require loans to meet its debt obligations. And secondly the staff review concerned determining what impacts (if any) the program could have (with or without the need to make loans to credit enhanced projects) on the County's cost of borrowing. To get at those larger issues, the Executive has responded through discussions with Council staff and in writing to the following "Fiscal Impact Questions":

1. How will the County's obligation for outstanding project debt (that has been credit enhanced) be recorded, denoted, etc. in financial records and reports? What is the practice of other jurisdictions providing credit enhancements?
2. What impact could the program have the on the County's "cost of borrowing" (i.e. what impact could the program have on the County's credit rating, or other factors which would affect the interest rate at which the County can borrow)?
3. What would the County's financial obligation be in the short and long term should a project which was credit enhanced falter? What is the worst case scenario if there were multiple failures simultaneously?
4. What is the source of funds should the County's obligation be triggered?
5. Is the .5 FTE staff position budgeted for the program adequate to ensure thorough review and monitoring of projects? Will there be future needs for additional staff?

In general, the Executive has reported (via executive staff and the County's financial advisers) the following conclusions:

- The Credit Enhancement Program should not affect the County's credit rating provided the total amount of outstanding project debt benefiting from credit enhancement (with whatever denotations in financial records and reports) as long as it is in the $25-50 million range, and does not for the time being exceed $50 million.
- The risk of projects triggering the need for a contingent loans is minimal (particular for bond-financed projects, which are anticipated to be the primary program users) if conservative under-writing and monitoring standards are adhered to.
- If one or more projects required loans for a year or more, the Department of Community and Human Services could use funds (including Housing Opportunity Funds) under its administration to cover the loans.
- If there was a severe economic downturn affecting a greater number of projects, and thereby triggering contingent loans from the County, it is unlikely that these loans, in themselves, would affect the County's credit rating, because it is assumed that all of the County's finances might be stressed due to decreased revenues, potential use of reserves, etc.
- The staff position budgeted for the program is adequate at this time (given it is unknown what the demand for the program will be). The Executive will request additional staff or will shift staff resources if necessary as the program expands.

The Housing and Policy Planning Committee passed a technical amendment to Proposed Ordinance 98-170 as well as an amendment to Motion 98-171, including amending the Affordable Housing Credit Enhancement Program Guidelines to reflect public recommendations and comments received on the draft guidelines.

POLICY DIRECTION: KCCP:

U-507 Following the adoption and initial implementation of this Plan, King County should encourage innovative, quality infill and redevelopment in existing urban areas through a variety of regulatory, incentive and program strategies.

H-105 King County should support housing development that is compatible with surrounding uses by:

a. providing information on potential development sites;

b. funding services and infrastructure improvements, and

c. developing public financing techniques which give housing development and redevelopment in preferred areas a market advantage.

H-108 King County should explore land use and investment strategies to stimulate mixed-use and mixed-income developments as a way to integrate neighborhoods and increase housing choices.

H-205 King County should explore giving priority to affordable housing funding and incentives in areas where there is a shortage of affordable housing as a way to stimulate housing development.

H-206 King County shall give priority in its housing funding programs to developments that serve low-income individuals and households, prevent displacement of low-income people and provide housing along with social services.

H-210 King County should develop new partnerships with public and private lending institutions to find solutions that reduce housing financing costs for both builders and consumers.

H-212 King County should seek opportunities to fund programs and projects where County funds are matched by additional public and private loans and contributions, increasing the amount of housing that can be developed.

H-501 King County should develop and expand incentives and subsidy programs to preserve below-market-rate housing. Relocation assistance and replacement housing should be developed, where feasible, to help low-income households when displacement is unavoidable.

H-606 King County should use land use planning and funding programs to locate community facilities and assisted housing so that low- and moderate-income residents and the elderly have convenient access to services.

ATTACHMENTS:

1. Proposed Ordinance 98-170
2. Proposed Motion 98-171
3. Ordinance 12808