



**KING COUNTY**

1200 King County Courthouse  
516 Third Avenue  
Seattle, WA 98104

**Signature Report**

**April 4, 2000**

**Motion 10904**

**Proposed No.** 2000-0223.1

**Sponsors** Sullivan

1           A MOTION authorizing the executive to disburse housing  
2           funds to the Washington Community Investment Fund,  
3           which will finance development and preservation of  
4           affordable housing.

5           WHEREAS, the need for affordable housing in King County continues to grow,  
6           and rapid appreciation and high demand have made it difficult for affordable housing  
7           developers to purchase buildings or building sites at moderate prices, and

8           WHEREAS, King County growth management and housing policies support  
9           development and preservation of low- and moderate-income housing throughout the  
10          county, particularly in locations close to jobs, transportation and services; and King  
11          County has provided funds for development and preservation of low-income and special  
12          needs housing since 1990 through annual appropriations to the housing opportunity fund,  
13          and

14          WHEREAS, the King County council, beginning in 1998, has appropriated five  
15          hundred thousand dollars to the housing opportunity fund to support Workforce Housing  
16          Initiatives providing a flexible source of funds for new housing programs, including  
17          assistance to first-time home buyers, affordable housing development on surplus county-  
18          owned properties, and credit enhancement for housing developments that include

19 affordable units, and

20 WHEREAS, the Local Initiative Support Corporation and the Washington  
21 Community Development Loan Fund have created a public-private investment fund, the  
22 Washington Community Investment Fund, to provide short-term bridge financing and  
23 other financial support to facilitate affordable housing development, and

24 WHEREAS, the sponsors of the Washington Community Investment Fund and  
25 have requested that King County contribute two hundred thousand dollars to this twenty-  
26 million-dollar revolving fund, which will be made available for housing developments  
27 serving households with incomes below eighty percent of median income in King County  
28 outside Seattle, and

29 WHEREAS, King County will benefit from contributing in the Washington  
30 Community Investment Fund through participation on the advisory committee that  
31 recommends loans for housing developments in King County outside Seattle, many of  
32 which will later seek permanent financing from King County housing programs;

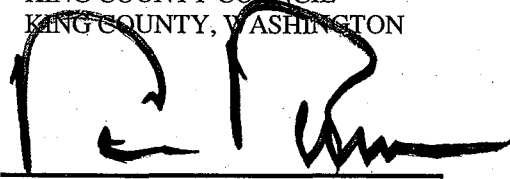
33 NOW, THEREFORE, BE IT MOVED by the Council of King County:

34           The council hereby concurs with the executive's proposal to disburse workforce  
35 housing funds, which are a component of the housing opportunity funds, to the  
36 Washington Community Investment Fund to be used for loans to affordable housing  
37 developments in King County outside Seattle.  
38

Motion 10904 was introduced on 3/20/00 and passed by the Metropolitan King County Council on 4/3/00, by the following vote:

Yes: 11 - Mr. von Reichbauer, Ms. Fimia, Mr. Pelz, Mr. McKenna, Ms. Sullivan, Mr. Nickels, Mr. Pullen, Mr. Gossett, Ms. Hague, Mr. Vance and Mr. Irons  
No: 0  
Excused: 2 - Ms. Miller and Mr. Phillips

KING COUNTY COUNCIL  
KING COUNTY, WASHINGTON



Pete von Reichbauer, Chair

ATTEST:



Anne Noris, Clerk of the Council

**Attachments**   A. Washington Community Development Loan Fund - Dated 3/13/00, B. Washington Community Investment Fund-Schedule B-Consolidated Loan Production

## Washington Community Development Loan Fund

1305 Fourth Avenue, #906, Seattle, Washington 98101. Fax: 206-358-1101

### M E M O R A N D U M

*Date:* 3/13/00

*To:* Maureen Kostyack  
Doris LaStrappe

*CC:* Tom Lattimore

*From:* **Kathy McKenna**, Development Specialist  
206-358-0498 or 800-336-0679 x 3  
wcdlf2@wolfenet.com

*RE:* Washington Community Investment Fund Recap

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Tom asked me to send you a shorter version of the WCIF proposal. The following attachments include key element of the proposal:

- A two page summary with Steering Committee roster
- A three page matrix highlighting the new loan products
- Consolidated loan production (attached as an XL spreadsheet)
- Status of investor prospects at 3/2/00

Please be sure to email or call me if this information turns out to be too brief for your purpose. Thanks.

**Washington Community Investment Fund  
Schedule B  
Consolidated Loan Production**

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Number of Loans Originated:</b>					
Acquisition	3	5	7	7	7
Phase I Predevelopment	32	32	32	32	32
Phase II Predevelopment	12	5	12	8	13
Commercial TI	2	3	3	3	3
Section 8 Preserv Sub-Debt	10	12	15	15	15
Section 8 Rent Reserve	3	5	7	7	7
<b>Total Number of Loans</b>	<b>62</b>	<b>62</b>	<b>76</b>	<b>72</b>	<b>77</b>
<b>\$ Volume Loans Disbursed:</b>					
Acquisition	\$1,500,000	\$2,500,000	\$3,500,000	\$3,500,000	\$3,500,000
Phase I Predev (In Portfolio)	3,043,000				
Phase I Predevelopment	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000
Phase II Predevelopment	1,200,000	500,000	1,200,000	800,000	1,300,000
Commercial TI	200,000	300,000	300,000	300,000	300,000
Section 8 Preserv Sub-Debt	750,000	900,000	1,125,000	1,125,000	1,125,000
<b>Total Loans Disbursed</b>	<b>\$8,293,000</b>	<b>\$5,800,000</b>	<b>\$7,725,000</b>	<b>\$7,325,000</b>	<b>\$7,825,000</b>
<b>Cumulative Loans Disbursed</b>	<b>\$8,293,000</b>	<b>\$14,093,000</b>	<b>\$21,818,000</b>	<b>\$29,143,000</b>	<b>\$36,968,000</b>
<b>Loans Committed, Not Disbursed:</b>					
Section 8 Rent Reserve	360,000	600,000	840,000	840,000	840,000
<b>Cum Loans Not Disbursed</b>	<b>360,000</b>	<b>960,000</b>	<b>1,800,000</b>	<b>2,640,000</b>	<b>3,480,000</b>
<b>Loans Written Off:</b>					
Acquisition	\$-	\$-	\$75,000	\$125,000	\$175,000
Phase I Predevelopment	25,000	50,000	50,000	50,000	50,000
Phase II Predevelopment	-	60,000	25,000	60,000	40,000
Commercial TI	-	-	10,000	15,000	15,000
Section 8 Preserv Sub-Debt	-	-	37,500	45,000	56,250
Section 8 Rent Reserve	-	-	-	-	-
<b>Total Loans Written Off</b>	<b>\$25,000</b>	<b>\$110,000</b>	<b>\$197,500</b>	<b>\$295,000</b>	<b>\$336,250</b>
<b>Cumulative Loans Write Off</b>	<b>\$25,000</b>	<b>\$135,000</b>	<b>\$332,500</b>	<b>\$627,500</b>	<b>\$963,750</b>
<b>Principal Recovered:</b>					
Acquisition	\$-	\$-	\$1,425,000	\$2,375,000	\$3,325,000
Phase I Predevelopment	1,400,000	1,500,000	1,600,000	1,700,000	1,800,000
Phase II Predevelopment	-	540,000	765,000	765,000	900,000
Commercial TI	6,333	22,167	41,167	50,167	64,167
Section 8 Preserv Sub-Debt	14,250	45,600	84,075	89,325	124,575
Section 8 Rent Reserve	-	-	-	-	-
<b>Total Principal Recovered</b>	<b>\$1,420,583</b>	<b>\$2,107,767</b>	<b>\$3,915,242</b>	<b>\$4,979,492</b>	<b>\$6,213,742</b>
<b>Cumulative Principal Recov'd</b>	<b>\$1,420,583</b>	<b>\$3,528,350</b>	<b>\$7,443,592</b>	<b>\$12,423,083</b>	<b>\$18,636,825</b>
<b>Net Outstanding Loans</b>	<b>\$6,847,417</b>	<b>\$10,429,650</b>	<b>\$14,041,908</b>	<b>\$16,092,417</b>	<b>\$17,367,425</b>

# Washington Community Investment Fund

## Investor Prospects

3/2/00

Prospective Investor	Amount of Investment Loan/EO2	Grant	Proposed Terms
<b>Committed:</b>			
WA State Housing Finance Commission	\$4.75 mm		A portion of funds will be at 1.0%, interest only for 10 years 8 Preservation Subordinated Loan.
Washington Mutual	\$5.00 mm	\$0.100 mm	The balance will be priced at 3.0%, interest only for 10 interest only for one year with the option to renew <i>(to be)</i>
Wells Fargo	\$2.00 mm		Invested in equal portions semi-annually in Years 1 and interest only for 10 years. Plus accompanying grant.
Key Bank	\$2.00 mm		4.0% interest only for 10 years.
<b>Total Committed</b>	<b>\$13.75 mm</b>	<b>\$0.100 mm</b>	6% interest only for 10 years. Possibility for an additional investment in Year 2.
<b>Pending:</b>			
City of Seattle Office of Economic Development		\$0.250 mm	OED has suggested that additional grants of \$250,000 in subsequent years. Grant funds would be used to offset shortfalls after year 1.
City of Seattle Office of Housing	\$0.375 mm	\$0.375 mm	4.0% interest only for 10 years on ½ of total. Balance a
Washington DCTED	\$0.500 mm	\$0.500 mm	4.0% interest only for 10 years on ½ of total. Balance a
Bank of America	\$3.000 mm	\$0.100 mm	Invested in first year at 3.0%, interest only for 10 years.
King County		\$0.200 mm	Recoverable grant.
City of Tacoma		\$0.070 mm	Recoverable grant.
Snohomish County		\$0.200 mm	Recoverable grant. (\$.1mm available 2000; possible \$.
U.S. Bank	\$1.000 mm		Invested in equal portions over Years 1-2 at 3.0%, intere
<b>Total Pending</b>	<b>\$4.675 mm</b>	<b>\$1.695 mm</b>	
<b>Total Committed &amp; Pending</b>	<b>\$18.625 mm</b>	<b>\$1.795 mm</b>	

Product	Eligible Uses	Loan Size	Terms and Conditions	Additional
<p><b>Commercial TI Loan</b></p>	<p>TI build-out for commercial properties or commercial portions of mixed-use buildings.</p> <p>Assumes build-out from "vanilla box", including painting, carpeting, partitions, standard lighting fixtures. Does not include fixtures or utility build-out for medical offices or restaurants.</p> <p>May be used for new acquisitions or previously developed properties.</p>	<p>Up to \$250,000 (avg = \$100,000)</p>	<ul style="list-style-type: none"> <li>➤ 7% interest; interest increases by 25-50 bp tied to step up in lease rates</li> <li>➤ 15 year amort; term tied to average initial lease length;</li> <li>➤ 1% fee at closing;</li> <li>➤ Minimum DCR 1.2 with 7% vacancy on commercial rents;</li> <li>➤ Secured by property (subordinated lien) and assignment of commercial rents or other unencumbered assets if rents are assigned to another lender</li> </ul>	<p>Pre-approval but will be subject to strength of commercial rents</p> <p>Financials reviewed more than 50 days prior to closing</p>
<p><b>Section 8 Rent Reserve Guarantee</b></p>	<p>Guarantee to cover the difference between base rents less Section 8 subsidy and projected rents based on tenant incomes at 50% of median.</p>	<p>Up to \$200,000 (avg = \$120,000)</p>	<ul style="list-style-type: none"> <li>➤ 5-year guarantee</li> <li>➤ 1% annual fee on outstanding guarantee (difference between rent reserve requirement and actual reserves built up by borrower)</li> </ul>	<p>Borrower required to cover two years of the event that rents fall below sunsets. Reserves to be set aside for five years between actual and projected rents based on tenant incomes. Reserves to be set aside for five years of projected rents amount will be based on borrower's rent reserve requirement.</p> <p>If applicable, by state or municipality, restriction upon borrower to create rent reserve</p>

the efforts of community development corporations and affordable housing developers, consolidating their local governing boards and will coordinate program delivery statewide.

**Timing.** The WCIF Business Plan will be completed in February 2000. Investors are being asked to finalize commitments during March-May and the first loan funds will be available in June of 2000.

**Steering Committee.** The following participants assisted in developing the loan products, terms and parameters of the WCIF.

<u>Name</u>	<u>Affiliation</u>
Gale Barre, Vice President	Bank of America
David Bley, Senior Vice President	Federal Home Loan Bank of Seattle
Yvonne Blumenthal, Vice President	U.S. Bank
Don Brewer, Senior Vice President	Key Bank, NA
Kathy Chance, Managing Director	State of Washington – Business Assistance Center, DCTED
Judy Dailey, Vice President	Federal Home Loan Bank of Seattle
Mark Flynn, Compliance Director	Washington State Housing Finance Commission
Kim Herman, Executive Director	Washington State Housing Finance Commission
Don Hines, Manager	City of Tacoma, Planning & Development Services
Margery Hite, Executive Director	Snohomish County Executive Office
Rick Hooper, Policy & Program Director	City of Seattle – Office of Housing
Bill Hunter, Assistant Director	State of Washington, DCTED
Grace Jeremia, Vice President	Wells Fargo
Corine Knudsen, Manager	State of Washington – Housing Trust Fund
Maureen Kostyack, Coordinator	King County – Housing Finance Program
Jim Moran, Senior Program Officer	SAFECO
Alyce Osborne, Grants Supervisor	Snohomish County
Cynthia Parker, Director	City of Seattle – Office of Housing
Linda Peterson, Manager	King County – Department of Housing & Community Development
Kathleen Pittis, Vice President	Key Bank, NA
Judy Reed, President	Washington Community Reinvestment Association
Norm Rice, President & CEO	Federal Home Loan Bank of Seattle
Bill Rumpf, Deputy Director	City of Seattle – Office of Housing
Mary Jean Ryan, Director	City of Seattle – Office of Economic Development
Richard Shand, Vice President	Washington Trust Bank
Bob Taylor, Senior Vice President	Wells Fargo
Dinah Thorsen, Vice President	Washington Mutual Bank
Vincent Tom, Project Manager	King County – Department of Housing & Community Development
Nathan Torgelson, Sr Comm Dev. Specialist	City of Seattle – Office of Economic Development
Heyward Watson, Director	Fannie Mae – Puget Sound Partnership Office
Juli Wilkerson, Director	City of Tacoma – Department of Economic Development
<b>Staff:</b>	
Tom Lattimore, Senior Program Director	Puget Sound Local Initiatives Support Corporation
Alice Shobe, Executive Director	Washington Community Development Loan Fund
Kathy McKenna, Development Specialist	Washington Community Development Loan Fund
<b>Consultants:</b>	
Paige Chapel	
Patty Grossman	