

July 15, 1997

Introduced By:

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Proposed No.:

97-425

ORDINANCE NO. **12808**

AN ORDINANCE authorizing the Executive to develop and administer a Credit Enhancement Program using King County's full faith, credit and resources to assist the poor and infirm obtain workforce housing.

PREAMBLE:

It is hereby found and declared that the public interest, welfare and benefit require that the county utilizes all appropriate and available national, state and local resources to aide the poor and infirm of King County. Chief among the needs for low- and moderate-income households, elderly, and disabled persons is suitable and affordable housing. Local government involvement ensuring construction 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. Furthermore,

1. Federal, state and local policies all recognize social and economic benefits of fully integrated communities by encouraging the development of residential projects and neighborhoods which include homes for households with a range of incomes, ages, and abilities.
2. King County finds federal resources are decreasing, state assistance is stagnant, and local resources for housing assistance are reduced with the recent-sunseting of the statute which enabled the county to use Real Estate Excise Taxes (REET) to assist in the construction of affordable housing.
3. The reduction in funding assistance comes at a time when growing numbers of people in the region are being priced out of the housing market. As reported in the Consolidated Housing and Community Development Plan for 1996-1999

1 for the King County Consortium, almost one-in-five of all King County  
2 Consortium households need some kind of housing assistance. While housing  
3 conditions have improved in the county over the past decade, affordability for  
4 households earning at or below 80% of the median income continues to be a  
5 problem. Over 16,000 households earning less than 30% of median income and  
6 elderly households earning less than 50% of median-income are paying a  
7 disproportionate amount of their income for rent putting them at great risk of  
8 becoming homeless. More than one-quarter of large families earning 51-80%  
9 of median income live in overcrowded conditions. In addition, homeownership  
10 rates continue to decline in the region. Households earning less than 80% of the  
11 median income are finding limited opportunities to own a home in King County  
12 and are choosing to purchase homes in other counties and commute to jobs in  
13 the county.

- 14 4. Recognizing the overwhelming housing needs of the region, the council finds it  
15 incumbent to creatively and efficiently utilize appropriate resources to assist  
16 private and public efforts to meet housing needs of the poor and infirm. To this  
17 purpose, King County has administered the appropriation of federal Community  
18 Development Block Grant funds, HOME and McKinney funds; created and  
19 funded the King County Housing Opportunity Fund and the King County  
20 Challenge Grant; and has created regulatory incentives to build workforce  
21 housing.
- 22 5. The council also finds that a component of housing price is the cost of financing  
23 the construction of the housing and the required repayment of short and long-  
24 term loans from private and public resources. The interest rate associated with  
25 loans for any project can greatly affect the overall cost of the housing.
- 26 6. Private lenders and investors attribute value to credit enhancements, in the form  
27 of loan guarantees or contingent loan agreements from credit-worthy partners,  
28 by fixing or lowering the interest rate on their loans and/or accepting a lower  
29 interest rate on repayment of bonds, which in turn reduces the overall  
30 development costs for workforce housing projects assisting the poor and infirm.
- 31 7. Article VIII, Section 7 of the Washington State Constitution allows the county  
32 to give money, or property, or loan its money, or credit to or in aid of any  
33 individual association, company or corporation when it is for the necessary  
34 support of the poor or infirm.
- 35 8. Local jurisdictions such as Clark, Kitsap and Snohomish counties have entered  
36 into contingent loan agreements with their respective housing authorities to  
37 create additional affordable housing. This method of housing financing is being  
38 used more frequently by local jurisdictions and their respective housing  
39 authorities, and is becoming an established method for lowering the cost of  
40 producing affordable housing in Washington State.

- 1 9. King County, in 1995, successfully entered into a contingent loan agreement  
2 with the King County Housing Authority thereby funding an additional nine  
3 units of housing affordable to very low-income households.
- 4 10. The lending of credit in the form of credit enhancements from King County for  
5 affordable housing projects is consistent with the following urban land use and  
6 affordable housing policies included in the adopted 1994 King County  
7 Comprehensive Plan:
- 8 U-507 Following the adoption and initial implementation of this Plan, King  
9 County should encourage innovative, quality infill and redevelopment  
10 in existing urban areas through a variety of regulatory, incentive and  
11 program strategies.
- 12 H-105 King County should support housing development that is compatible  
13 with surrounding uses by:  
14 a. providing information on potential development sites;  
15 b. funding services and infrastructure improvements, and  
16 c. developing public financing techniques which give housing  
17 d. development and redevelopment in preferred areas a market  
18 advantage.
- 19 H-108 King County should explore land use and investment strategies to  
20 stimulate mixed-use and mixed-income developments as a way to  
21 integrate neighborhoods and increase housing choices.
- 22 H-205 King County should explore giving priority to affordable housing  
23 funding and incentives in areas where there is a shortage of  
24 affordable housing as a way to stimulate housing development.
- 25 H-206 King County shall give priority in its housing funding programs to  
26 developments that serve low-income individuals and households,  
27 prevent displacement of low-income people and provide housing  
28 along with social services.
- 29 H-210 King County should develop new partnerships with public and  
30 private lending institutions to find solutions that reduce housing  
31 financing costs for both builders and consumers.
- 32 H-212 King County should seek opportunities to fund programs and  
33 projects where County funds are matched by additional public and  
34 private loans and contributions, increasing the amount of housing  
35 that can be developed.
- 36 H-501 King County should develop and expand incentives and subsidy  
37 programs to preserve below-market-rate housing. Relocation

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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.

BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

SECTION 1. Definitions. As used in this ordinance the following terms shall

mean:

**Housing affordability:** Housing which is affordable ensures residents spend 30% or less of their gross income for rent and utilities, or 35% or less of their gross income for mortgage principal, interest, taxes, insurance (and homeowners dues, where appropriate).

**Mixed-income housing:** A housing project (meaning a single building, a complex of multiple buildings or a subdivision) wherein residents have a range of incomes above and below 80% of median income.

**Workforce housing:** Housing units affordable to households earning between 30 and 120% of the King County median income, adjusted for household size.

SECTION 2. Authority. The executive is hereby authorized to develop a program for council approval utilizing the county's full faith, credit and resources to make available credit enhancements for workforce housing projects assisting the poor and infirm. The program to be developed shall adhere to the parameters defined in Section 3.

SECTION 3. Credit Enhancement Program Purpose and Design.

**Policy Emphasis:** The Credit Enhancement 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

1 intended to create an incentive to develop new types of housing, increased affordability for  
2 residents, and realization of multiple growth management goals. Extension of credit  
3 enhancements to housing developers to secure favorable financing terms for housing  
4 projects shall result in tangible benefits to the direct beneficiaries (poor and infirm  
5 residents of the proposed housing) and other public benefits, as appropriate. Credit  
6 enhancements may be utilized when 1) enabling the development of needed housing that  
7 would not otherwise have been built were the credit enhancement unavailable and/or 2)  
8 increasing the affordability of individual units that are targeted for lower income  
9 households within workforce housing projects.

10 **Eligible Applicants:** Eligible applicants may include public housing authorities, non-  
11 profit organizations, for-profit organizations, local governments, public agencies, and  
12 public development authorities.

13 **Eligible Beneficiaries:** Eligible beneficiaries must be the poor and infirm of King County.  
14 These persons are commonly recognized as households earning 80% or less of the county  
15 median income and persons or households with special needs.

16 **Eligible Activities:** Credit enhancements are to be used to develop mixed-income projects  
17 which add to the stock of workforce housing units in King County and provide  
18 homeownership opportunities for eligible beneficiaries. Owned housing must remain  
19 affordable for subsequent buyers who are eligible beneficiaries or upon resale to an  
20 ineligible buyer the county shall recapture the subsidy provided by the credit enhancement.  
21 Rental projects shall be eligible when developed in conjunction with a homeownership  
22 project and must guarantee long term affordability to eligible beneficiaries. Eligible

1 activities shall include new construction and acquisition and/or rehabilitation of existing  
2 housing when the final product will yield additional workforce housing units.

3 **Project Siting:** Projects assisted through the Credit Enhancement Program shall be  
4 located in urban centers or within close proximity to transit hubs or corridors as shown on  
5 Attachment A. Projects proposed to be sited elsewhere shall be considered when there are  
6 unique opportunities to aid eligible beneficiaries. These projects shall nevertheless  
7 demonstrate access to employment, transportation and human services, and adequate  
8 infrastructure to support housing development.

9 **Selection Process:** Applications for credit enhancements should be accepted year round to  
10 accommodate timely approval of final financial arrangements for projects. Proposed  
11 projects must detail the financial benefit of the credit enhancement over the life of the  
12 project and how that benefit will be realized by eligible beneficiaries residing in the  
13 project. The executive shall develop staff procedures and standards of review to select  
14 projects.

15 **Financial Review:** All projects shall undergo rigorous internal county staff (housing and  
16 community development, finance, prosecuting attorney, risk management, etc.) review and  
17 underwriting for financial, legal and policy compliance. In addition, projects shall undergo  
18 external underwriting by the county's economic development consultant, lender and bond  
19 counsel when merited. Where needed, opinions from a bond rating service shall be  
20 required. Credit enhancements shall be used to improve the credit worthiness of the  
21 housing developer, but shall never be used as a sole source of credit worthiness of an  
22 applicant. Developers and developer teams shall be competent, experienced and

1 financially stable. Minimum standards for developers and projects shall be established by  
2 the executive.

3 **Compliance with King County Requirements:** Projects shall conform with applicable  
4 county requirements for contracting services.

5 **Financial Agreements:** Financial agreements for each project shall be approved by the  
6 council. All financial agreements resulting in a credit enhancement for a project shall be  
7 structured to minimize the county's financial risk and shall ensure the county's right to  
8 review records and direct corrective measures deemed necessary to prevent financial  
9 instability, material or technical default. All agreements shall be reviewed and approved  
10 by appropriate county staff (housing and community development, finance, prosecuting  
11 attorney, risk management, etc.) and shall be reviewed by the county's economic  
12 development consultant, lender and bond counsel, as appropriate.

13 **Financial Reserves:** Projects will vary in financial risk to the county. While financial  
14 risks are to be minimized, the county may extend credit enhancements where risks exist,  
15 provided the county has adequate financial reserves to cover county credit enhancement  
16 obligations. The executive shall analyze the potential demand for credit enhancements and  
17 shall recommend reserves, as appropriate, as a part of the 1998 Executive Proposed Budget  
18 and subsequent budgets.

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SECTION 4. Program Development Timeline. The executive shall propose a Credit Enhancement Program for workforce housing within six months of adoption of this ordinance.

INTRODUCED AND READ for the first time this 7th day of July, 1997.

PASSED by a vote of 11 to 1 this 21st day of July, 1997.

KING COUNTY COUNCIL  
KING COUNTY, WASHINGTON

Jane Hogue  
Chair

ATTEST:

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Clerk of the Council

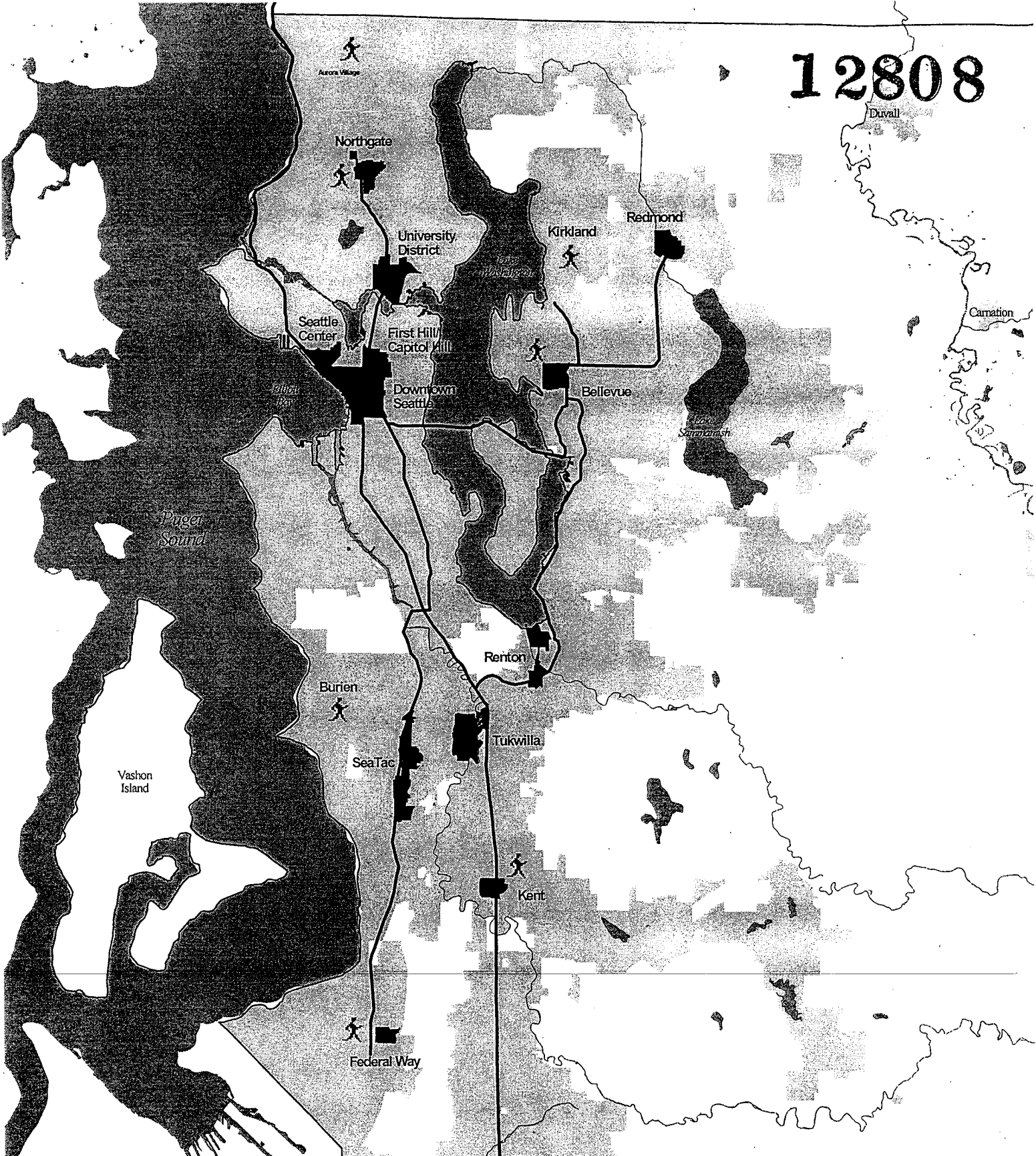
APPROVED this 31 day of July, 1997.

Robert Anderson  
King County Executive

Attachments: A. King County Urban Centers, Transit Corridors and Hubs Map.



12808



ATTACHMENT A  
 To Proposed Ordinance 97-425  
 King County Urban Centers  
 Transit Corridors and Hubs

 Transit Center  RTA Corridor



This map is for planning purposes only.  
 It is not meant to show accurate measurements.

July, 1997