



KING COUNTY

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Signature Report

December 10, 2001

Ordinance 14269

Proposed No. 2001-0479.2

Sponsors Sullivan

1 AN ORDINANCE relating to the credit enhancement
2 program for affordable workforce housing; and amending
3 Ordinance 12808, Section 2, as amended, and Ordinance
4 12808, Section 3, as amended, and adding a new chapter
5 to K.C.C. Title 24.

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8 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

9 SECTION 1. Findings.

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

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

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

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

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

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

37 G. In 1998 through 2000, King County entered into three additional contingent
38 loan agreements, creating or preserving four hundred forty units of affordable housing.
39 The credit enhancement program's portfolio includes three completed projects that are

40 financially performing above projections and a fourth development that is under
41 construction, with completion anticipated in early 2002.

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

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

51 ~~((Authority-))~~ **Authority.** The executive is hereby authorized to implement a
52 ~~((C))credit ((E))enhancement ((P))program~~ utilizing the county's full faith, credit and
53 resources to make available credit enhancements for workforce housing projects assisting
54 the poor and infirm. The executive is further authorized to enter contingent loan
55 agreements with housing developers provided that the total amount of outstanding project
56 debt benefiting from a credit enhancement from King County through this program shall
57 not exceed ~~((50))~~ one hundred million dollars. The ~~((C))credit ((E))enhancement~~
58 ~~((P))program~~ and contingent loan agreements shall adhere to the parameters defined in
59 Ordinance 12808, Section 3, as amended.

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

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

64 ~~((Policy Emphasis:))~~ **A.** The ~~((C))~~credit ~~((E))~~enhancement ~~((P))~~program will
65 ~~((be a new initiative to))~~ add to the stock of workforce housing aiding the poor and infirm
66 of King County. The program is intended to create an incentive to develop new types of
67 housing, increased affordability for residents, and realization of multiple growth
68 management goals. Extension of credit enhancements to housing developers to secure
69 favorable financing terms for housing projects shall result in tangible benefits to the
70 direct beneficiaries (poor and infirm residents of the proposed housing) and other public
71 benefits, as appropriate. Credit enhancements may be utilized when: 1~~(())~~, enabling the
72 development of needed housing that would not otherwise have been built were the credit
73 enhancement unavailable; and/or 2~~(())~~, increasing the affordability of individual units
74 that are targeted for lower income households within workforce housing projects; or
75 3~~(())~~ providing a payment to King County in lieu of additional project affordability for
76 the purpose of developing affordable housing at another location.

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

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

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

93 ~~((Project Siting:))~~ E. Projects assisted through the ~~((C))~~credit ~~((E))~~enhancement
94 ~~((P))~~program ~~((shall))~~ must be located in urban centers or within close proximity to
95 transit hubs or corridors ~~((as shown on Attachment A))~~. Projects proposed to be sited
96 elsewhere ~~((shall))~~ may be considered when there are unique opportunities to aid eligible
97 beneficiaries. These projects shall nevertheless demonstrate access to employment,
98 transportation and human services, and adequate infrastructure to support housing
99 development.

100 ~~((Selection Process:))~~ F. Applications for credit enhancements should be
101 accepted year round to accommodate timely approval of final financial arrangements for
102 projects. Proposed projects must detail the financial benefit of the credit enhancement
103 over the life of the project and how that benefit will be realized by eligible beneficiaries
104 residing in the project.

105 ~~((Financial Review:))~~ G. All projects shall undergo rigorous internal county staff
106 (housing and community development, finance~~((s))~~ and prosecuting attorney) ~~((s-risk~~

107 ~~management,))~~ review and underwriting for financial, legal and policy compliance. In
108 addition, projects shall undergo external underwriting by the county's economic
109 development consultant(~~(,-lender))~~ and bond counsel when merited. Where needed,
110 opinions from a bond rating service shall be required. Credit enhancements shall be used
111 to improve the credit worthiness of the housing developer, but shall never be used as a
112 sole source of credit worthiness of an applicant. Developers and developer teams shall be
113 competent, experienced and financially stable. Minimum standards for developers and
114 projects shall be established by the executive.

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

117 ~~((Financial Agreements:))~~ I. All ~~((financial))~~ contingent loan agreements
118 resulting in a credit enhancement for a project shall be structured to minimize the
119 county's financial risk and shall ensure the county's right to review all project records
120 and direct corrective measures deemed necessary to prevent financial instability, material
121 or technical default. All agreements shall be reviewed and approved by appropriate
122 county staff (housing and community development, finance, prosecuting attorney, risk
123 management(~~(,))~~) and shall be reviewed by the county's economic development
124 consultant(~~(,-lender))~~ and bond counsel, as appropriate.

125 ~~((Payment in Lieu:))~~ J. Projects receiving credit enhancements shall have the
126 option to make a payment in lieu of providing additional project affordability. The
127 payment shall be allocated to the ~~((H))~~housing ~~((Θ))~~opportunity ~~((F))~~fund for the sole
128 purpose of funding development of affordable low-income housing.

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

133 NEW SECTION. SECTION 4. Reserve funds.

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

140 B. The executive is authorized to collect an application fee equal to 0.2 percent of
141 the amount of project debt that is credit enhanced. The application fee shall be payable at
142 the time that a contingent loan agreement is approved. The proceeds of this fee shall be
143 deposited in the credit enhancement reserve account.

144 C. The credit enhancement reserve account shall not exceed an amount equal to
145 one percent of the total outstanding credit enhanced project debt. Reserve account funds
146 in excess of the required credit enhancement reserve shall be transferred to the housing
147 opportunity fund.

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

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

Ordinance 14269

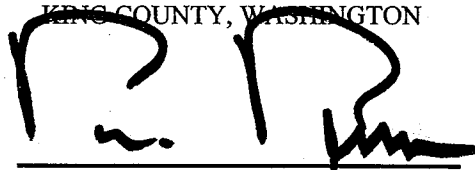
154 Section 3, section 4 of this ordinance and section 5 of this ordinance should constitute a
155 new chapter in K.C.C. Title 24.

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Ordinance 14269 was introduced on 9/24/01 and passed by the Metropolitan King
County Council on 12/10/01, by the following vote:

Yes: 12 - Mr. von Reichbauer, Ms. Miller, Ms. Fimia, Mr. Phillips, Mr. Pelz,
Mr. McKenna, Ms. Sullivan, Mr. Nickels, Mr. Pullen, Mr. Gossett, Mr. Irons
and Ms. Patterson
No: 0
Excused: 1 - Ms. Hague

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON



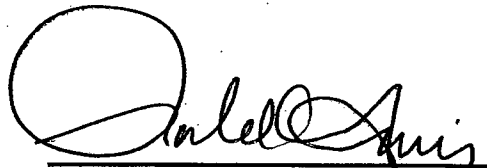
Pete von Reichbauer, Chair

ATTEST:



Anne Noris, Clerk of the Council

APPROVED this 18 day of December, 2001.



Ron Sims, County Executive

Attachments None