ADDITIONAL MEETING MATERIALS

KING COUNTY COUNCIL

WORK SESSION

STAFF MEMO

To: King County Council

From: Olivia Brey, Mary Bourguignon

Subject: **Proposed Ordinance 2026-0293**

Date: November 17, 2026

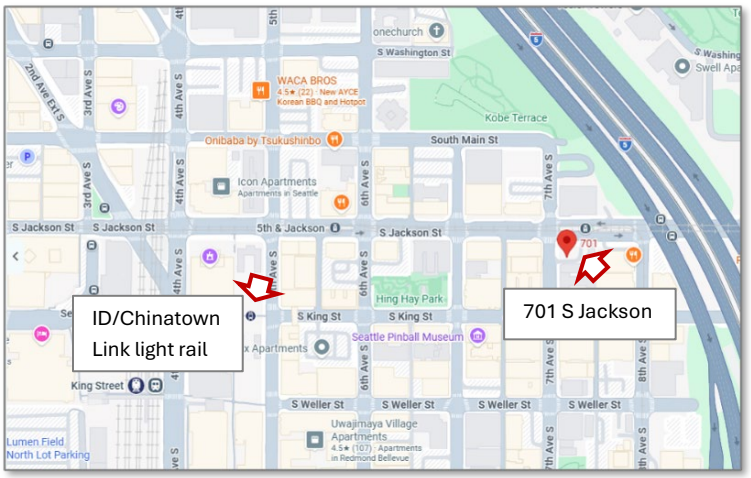
OVERVIEW

Proposed Ordinance 2026-0293 would:

- Authorize the Executive to execute a Master Lease Agreement (MLA) for a 111-unit affordable housing project at 701 South Jackson in Seattle. (See Figure 1 below for a map.)
- Approve development and financing plans for the project.
- Pledge the County's full faith and credit to repay up to $90 million in tax-exempt bonds to be issued by a non-profit developer on behalf of the County under IRS Ruling 63-20.
- Commit that the County would take ownership of the project after the bonds are repaid.
- Approve other provisions of the lease financing.

Proposed Ordinance was on the October 28 BFM Committee agenda (information here) but was not heard. The legislation could be considered at Council before the end of the year.

Figure 1. Proposed Ordinance 2026-0293 Location



The proposed legislation would affect three key entities:

- **LANDLORD: 701 Essential Housing (non-profit).** As proposed, the non-profit would purchase the property from the current owner, issue bonds to pay for development, and then develop and manage the project.
- **TENANT: King County.** The County would be responsible for paying debt service on the bonds and then would take title to the project after the bonds are repaid.
- **DEVELOPER: Housing Diversity Corporation.** The developer would develop the project under a separate Development Services Agreement to which the County would be a party.

AFFORDABILITY

The income levels the proposed project would serve would be based at least in part on State and Federal requirements. State law requires that at least 75% of units must be affordable to residents at or below 60% of Area Median Income (AMI) to receive a property tax exemption (which could result in savings of an estimated $285,000 a year). At the federal level, the IRS requires that all units must meet specified affordability targets for the project to be eligible for tax-exempt bonds.

Executive staff have indicated that it is the intent that this proposed project comply with both of these requirements. However, the transmitted legislation and its attachments do not specify income limit requirements. Table 1 shows the potential unit mix and income eligibility restrictions based on the stated intent that Executive staff have shared.

Table 1. Potential Unit Mix and Income Eligibility Restrictions

Unit Type	Unit Count	Percent of Units	AMI Limit
1 Bedroom	1	1%	50%
2 Bedrooms	96	86%	60%
3 Bedroom	14	13%	67%
Total/Average	**111**	**100%**	**61%**

In addition to the residential space, there would be 3,230 square feet of commercial retail space on the ground floor of the building.

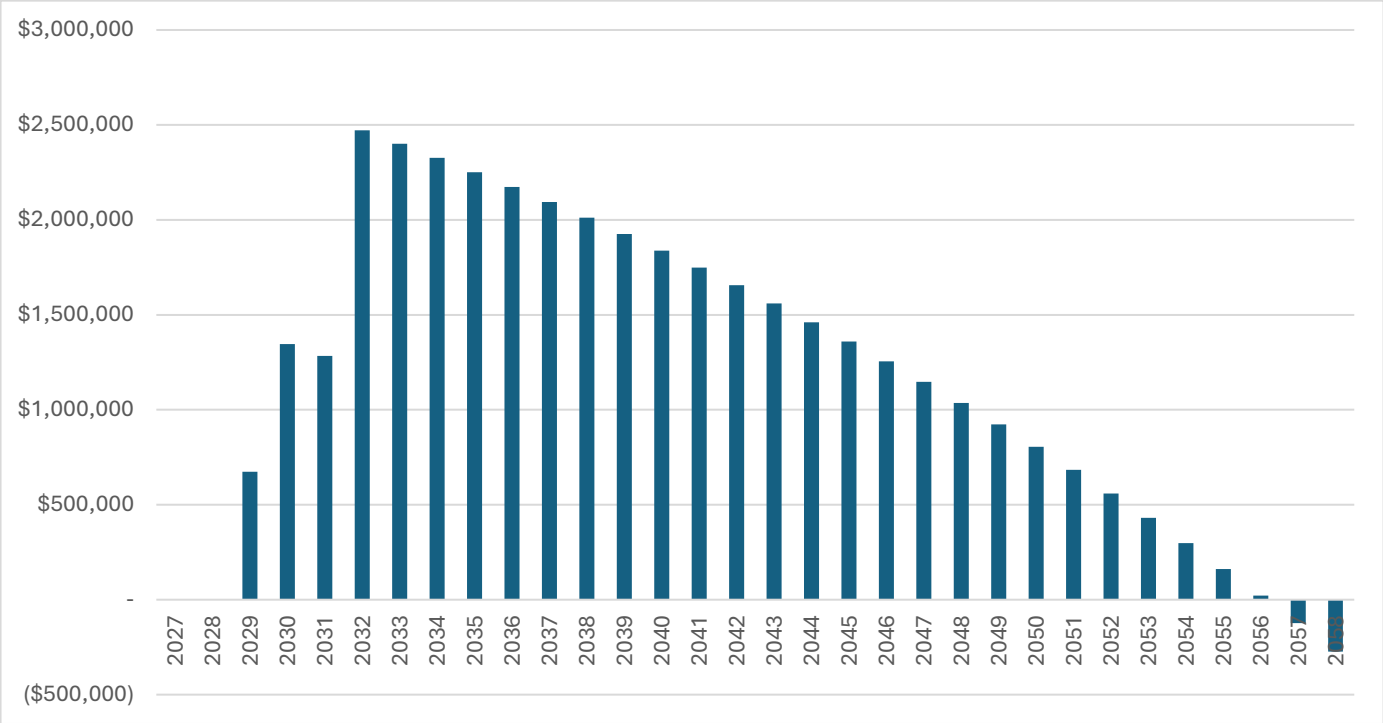
ESTIMATED COUNTY PAYMENTS

Under Proposed Ordinance 2026-0293, the County's financial obligation for the project would begin when the building is substantially complete, which is expected to be in 2029.

Executive staff have estimated that the total County contribution, which includes monthly rent (debt service) and expenses minus project revenues, would be $37.5 million over 30 years, depending on the final bond pricing parameters and project costs and revenues.

Figure 2 shows how the estimated County contribution is expected to fluctuate over time due to changing building revenue projections and expenses.

Figure 2. Estimated County Contribution[1] Throughout Life of Bonds



As an example of how the County's contributions would be calculated, Table 2 below shows a breakdown of estimated revenue and expenses for 2032, when construction is expected to be complete, the bond repayments are expected to be in the amortization phase, and tenants are expected to be renting units in the building.

As Table 2 shows, the County would owe debt service, which, for 2032, is estimated to be $4.694 million. In addition, the County would be required to cover the building's operating expenses, including utilities, a 1% asset management fee to the non-profit, repairs and maintenance, costs from vacant units that are not bringing in rent, and other expenses. For 2032, these costs are estimated to be $1.167 million.

The County's total amount due would be comprised of debt service plus operating expenses.

However, the rental income earned by the building would be subtracted from what the County owes. In 2032, building revenue is estimated to be a total of $3.39 million.

That would leave a remainder of $2.47 million that the County would owe for 2032.

[1] The County contribution is monthly rent that the County owes to pay off the bond, plus the operating expenses, minus the revenue from residential and retail subleases

Table 2. Estimated Expenses and Income for 2032

Category	Estimated Amount
Debt Service	**$ 4,694,405**
Operating Expenses	
Utilities	$455,728
Asset Management Fee	$32,412
Repair and Maintenance	$111,000
Vacancy	$ 230,854
Other Expenses	$ 337,555
Total Operating Expenses	**$1,167,549**
Income	
Residential Rent	($3,241,195)
Retail and Other Income	($149,242)
Total Income	**($3,390,437)**
County Contribution	**$ 2,471,517**

Executive staff have indicated that the total bond proceeds would be $73.8 million based on current estimates, though the proposed ordinance would authorize up to $90 million. Currently, the County's fund source for the project, for costs not fulfilled by residential and retail lease revenue, is planned to be the General Fund.

The County's payment obligations could vary based on the amount of bonds issued, the interest rate (coupon) for the bonds, development costs, ongoing maintenance and operating costs, and vacancy levels.

Figure 3 shows a series of sensitivity analyses that estimate the County's total contribution over 30 years, as well as the average annual payment, based on differences in project conditions.

These scenarios are meant to be illustrative only. It is not possible to predict which of these scenarios, or which combination, might occur. These scenarios are presented to provide context about how changes to different conditions, either individually or in combination, could affect the amount the County would contribute over time.

Figure 3. Scenario Analyses (ILLUSTRATIVE ONLY)

SCENARIO 1: Exec Provided ProForma		
Total Development Cost		**$63,886,430**
Bond Coupon		**5.00%**
Capitalized Interest (years)		2.5
Bond Premium (% of par)		7.36%
Cost of Issuance	1.89%	$1,320,643
Par Amount		$68,740,325
Bond Premium		$5,059,288
Total Bond Proceeds		**$73,799,613**
Est'd County Contribution		**$37,504,145**
Est'd Maximum Annual Cty Contrib		$2,471,517

SCENARIO 2: 10% Increase to Development Cost		
Total Development Cost		**$70,275,073**
Bond Coupon		**5.00%**
Capitalized Interest (years)		2.5
Bond Premium (% of par)		7.36%
Cost of Issuance	1.89%	$1,320,643
Par Amount		$75,475,138
Bond Premium		$5,554,970
Total Bond Proceeds		**$81,030,108**
Est'd County Contribution		**$50,764,184**
Est'd Maximum Annual Cty Contrib		$2,931,450

SCENARIO 3: 30% Increase to Development Cost*		
Total Development Cost		**$83,052,359**
Bond Coupon		**5.00%**
Capitalized Interest (years)		2.5
Bond Premium (% of par)		7.36%
Cost of Issuance	1.89%	$1,320,643
Par Amount*		$88,944,762
Bond Premium		$6,546,335
Total Bond Proceeds		**$95,491,097**
Est'd County Contribution		**$77,284,261**
Est'd Maximum Annual Cty Contrib		$3,851,316

**Note this is close to the maximum principal bond (par amount) listed in the proposed ordinance*

SCENARIO 4: 1% Increase to Bond Coupon		
Total Development Cost		**$63,886,430**
Bond Coupon		**6.00%**
Capitalized Interest (years)		2.5
Bond Premium (% of par)		7.36%
Cost of Issuance	1.89%	$1,320,643
Par Amount		$70,600,988
Bond Premium		$5,196,233
Total Bond Proceeds		**$75,797,221**
Est'd County Contribution		**$57,048,784**
Est'd Maximum Annual Cty Contrib		$3,121,407

SCENARIO 5: Double Repair and Maintenance Costs		
Total Development Cost		**$63,886,430**
Bond Coupon		**5.00%**
Capitalized Interest (years)		2.5
Bond Premium (% of par)		7.36%
Cost of Issuance	1.89%	$1,320,643
Par Amount		$68,740,325
Bond Premium		$5,059,288
Total Bond Proceeds		**$73,799,613**
Est'd County Contribution		**$40,778,645**
Est'd Maximum Annual Cty Contrib		$2,582,517

SCENARIO 6: Double Vacancy Estimate		
Total Development Cost		**$63,886,430**
Bond Coupon		**5.00%**
Capitalized Interest (years)		2.5
Bond Premium (% of par)		7.36%
Cost of Issuance	1.89%	$1,320,643
Par Amount		$68,740,325
Bond Premium		$5,059,288
Total Bond Proceeds		**$73,799,613**
Est'd County Contribution		**$50,727,165**
Est'd Maximum Annual Cty Contrib		$2,813,371

NEXT STEPS

The Executive has asked that this legislation be taken up this year.

Because there has not been time at BFM, it is possible that the Council could act to relieve the committee and consider it at the December 8 meeting.