

LARRY GOSSETT
MAGGI FIMIA
LARRY PHILLIPS
DWIGHT PELZ
LOUISE MILLER
JANE HAGUE
CHRISTOPHER VANCE

April 15, 1998

Rob McKenna
Cynthia Sullivan

Introduced By:

em

Proposed No.:

98-170

ORDINANCE NO. **13093**

AN ORDINANCE relating to the Credit Enhancement
Program for workforce housing, amending Ordinance 12808,
Sections 2 and 3.

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. The council also finds that a component of housing price is the cost of financing the construction of the housing and the required repayment of short and long-term loans from private and public resources. The interest rate associated with loans for any project can greatly affect the overall cost of the housing.
2. 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.

- 1 3. Local jurisdictions such as Clark, Kitsap and Snohomish counties have entered
2 into contingent loan agreements with their respective housing authorities to
3 create additional affordable housing. This method of housing financing is being
4 used more frequently by local jurisdictions and their respective housing
5 authorities, and is becoming an established method for lowering the cost of
6 producing affordable housing in Washington State.
- 7 4. King County, in 1995, successfully entered into a contingent loan agreement
8 with the King County Housing Authority thereby funding an additional nine
9 units of housing affordable to very low-income households.
- 10 5. In July, 1997, the Council adopted Ordinance 12808 establishing a Credit
11 Enhancement Program and directing the Executive to prepare guidelines for
12 program administration.

13 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

14 SECTION 1. Ordinance 12808, Section 2, is hereby amended to read as follows:

15 Authority. The executive is hereby authorized to ~~((develop))~~ implement a Credit
16 Enhancement Program ~~((program for council approval))~~ utilizing the county's full faith,
17 credit and resources to make available credit enhancements for workforce housing projects
18 assisting the poor and infirm. The executive is further authorized to enter contingent loan
19 agreements with housing developers provided that the total amount of outstanding project
20 debt benefiting from a credit enhancement from King County through this program shall not
21 exceed \$50 million. The Credit Enhancement ~~((p))~~ Program ~~((to be developed))~~ and
22 contingent loan agreements shall adhere to the parameters defined in Section 3.

23 SECTION 2. Ordinance 12808, Section 3, is hereby amended to read as follows:

24 Credit Enhancement Program Purpose and Design.

25 **Policy Emphasis:** The Credit Enhancement Program will be a new initiative to add to the
26 stock of workforce housing aiding the poor and infirm of King County. The program is
27 intended to create an incentive to develop new types of housing, increased affordability for
28 residents, and realization of multiple growth management goals. Extension of credit

1 enhancements to housing developers to secure favorable financing terms for housing
2 projects shall result in tangible benefits to the direct beneficiaries (poor and infirm residents
3 of the proposed housing) and other public benefits, as appropriate. Credit enhancements
4 may be utilized when 1) enabling the development of needed housing that would not
5 otherwise have been built were the credit enhancement unavailable and/or 2) increasing the
6 affordability of individual units that are targeted for lower income households within
7 workforce housing projects or 3) providing a payment to King County in lieu of additional
8 project affordability for the purpose of developing affordable housing at another location.

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

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

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

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

3 **Project Siting:** Projects assisted through the Credit Enhancement Program shall be located
4 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 project.

13 **Financial Review:** All projects shall undergo rigorous internal county staff (housing and
14 community development, finance, prosecuting attorney, risk management, review and
15 underwriting for financial, legal and policy compliance. In addition, projects shall undergo
16 external underwriting by the county's economic development consultant, lender and bond
17 counsel when merited. Where needed, opinions from a bond rating service shall be
18 required. Credit enhancements shall be used to improve the credit worthiness of the
19 housing developer, but shall never be used as a sole source of credit worthiness of an
20 applicant. Developers and developer teams shall be competent, experienced and financially
21 stable. Minimum standards for developers and projects shall be established by the executive.
22 **Compliance with King County Requirements:** Projects shall conform with applicable
23 county requirements for contracting services.

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

9 **Payment in Lieu:** Projects receiving credit enhancements shall have the option to make a
10 payment in lieu of providing additional project affordability. The payment shall be allocated
11 to the Housing Opportunity Fund for the sole purpose of funding development of affordable
12 low-income housing.

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

13093

1 NEW SECTION. SECTION 3. There is hereby added to Ordinance 12808 a new
2 section to read as follows:

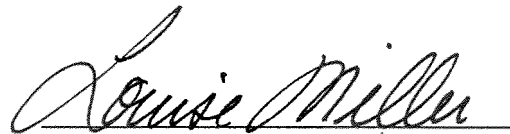
3 Annual Reports to the King County Council.

4 The executive shall provide annually to the council a report on the status of the Credit
5 Enhancement Program, including but not limited to (1) location of projects, (2) number of
6 units, (3) type of units, (4) summary of project financial status, (5) the developers and
7 lenders involved and (6) the status of credit enhancement authority allocated to date.

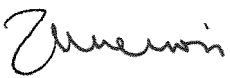
8 INTRODUCED AND READ for the first time this 2nd day of
9 March, 1998.

10 PASSED by a vote of 12 to 1 this 20th day of APRIL,
11 1998.

12 KING COUNTY COUNCIL
13 KING COUNTY, WASHINGTON

14 
15 Chair

16 ATTEST:

17 
18 Clerk of the Council

19 APPROVED this 1 day of May, 1998

20 
21 King County Executive

22