



**KING COUNTY**

1200 King County Courthouse  
516 Third Avenue  
Seattle, WA 98104

**Signature Report**

**April 28, 2008**

**Ordinance 16075**

**Proposed No.** 2008-0183.1

**Sponsors** Gossett, Patterson and Phillips

1 AN ORDINANCE relating to the credit  
2 enhancement program for affordable workforce  
3 housing; and amending Ordinance 12808, Section  
4 2; as amended, and K.C.C. 24.28.010, Ordinance  
5 14269, Section 4, and K.C.C. 24.28.030 and  
6 Ordinance 14269, Section 5, and K.C.C.  
7 24.28.040.

8

9 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

10 SECTION 1. Ordinance 12808, Section 2, as amended, and K.C.C. 24.28.010 are  
11 each hereby amended to read as follows:

12 The executive is hereby authorized to implement a credit enhancement program  
13 utilizing the county's full faith, credit and resources to make available credit  
14 enhancements for workforce housing projects assisting the poor and infirm. The  
15 executive is further authorized to enter contingent loan agreements with housing  
16 developers provided that the total amount of outstanding project debt benefiting from a  
17 credit enhancement from King County through this program shall not exceed (~~(one)~~) two

18 hundred million dollars. The credit enhancement program and contingent loan  
19 agreements shall adhere to the parameters defined in K.C.C. 24.28.020.

20 **SECTION 2. Credit enhancement program purpose and design.**

21 A. The credit enhancement program will add to the stock of workforce housing  
22 aiding the poor and infirm of King County. The program is intended to create an  
23 incentive to develop new types of housing, increased affordability for residents, and  
24 realization of multiple growth management goals. Extension of credit enhancements to  
25 housing developers to secure favorable financing terms for housing projects shall result in  
26 tangible benefits to the direct beneficiaries, who are poor and infirm residents of the  
27 proposed housing, and other public benefits, as appropriate. Credit enhancements may be  
28 utilized when:

29 1. Enabling the development of needed housing that would not otherwise have  
30 been built were the credit enhancement unavailable;

31 2. Increasing the affordability of individual units that are targeted for lower  
32 income households within workforce housing projects; or

33 3. Providing a payment to King County in lieu of additional project affordability  
34 for the purpose of developing affordable housing at another location.

35 B. Eligible applicants may include public housing authorities, non-profit  
36 organizations, for-profit organizations, local governments, public agencies, and public  
37 development authorities.

38 C. Eligible beneficiaries must be the poor and infirm of King County. These  
39 persons are commonly recognized as households earning eighty percent or less of the  
40 county median income and persons or households with special needs.

41 D. Credit enhancements are to be used to assist the development of mixed-  
42 income projects that add to the stock of workforce housing units in King County,  
43 including homeownership opportunities for eligible beneficiaries. Owned housing must  
44 remain affordable for subsequent buyers who are eligible beneficiaries or upon resale to  
45 an ineligible buyer the county shall recapture the subsidy provided by the credit  
46 enhancement. Rental projects must guarantee long term affordability to eligible  
47 beneficiaries. Eligible activities shall include new construction and acquisition and/or  
48 rehabilitation of existing housing when the final product will yield additional workforce  
49 housing units.

50 E. Projects assisted through the credit enhancement program must be located in  
51 urban centers or within close proximity to transit hubs or corridors. Projects proposed to  
52 be sited elsewhere may be considered when there are unique opportunities to aid eligible  
53 beneficiaries. These projects shall nevertheless demonstrate access to employment,  
54 transportation and human services, and adequate infrastructure to support housing  
55 development.

56 F. Applications for credit enhancements should be accepted year round to  
57 accommodate timely approval of final financial arrangements for projects. Proposed  
58 projects must detail the financial benefit of the credit enhancement over the life of the  
59 project and how that benefit will be realized by eligible beneficiaries residing in the  
60 project.

61 G. All projects shall undergo rigorous internal county staff reviews by housing  
62 and community development, finance and business operations, and the prosecuting  
63 attorney review and underwriting for financial, legal and policy compliance. In addition,

64 projects shall undergo external underwriting by the county's economic development  
65 consultant and bond counsel when merited. Where needed, opinions from a bond rating  
66 service shall be required. Credit enhancements shall be used to improve the credit  
67 worthiness of the housing developer, but shall never be used as a sole source of credit  
68 worthiness of an applicant. Developers and developer teams shall be competent,  
69 experienced and financially stable. Minimum standards for developers and projects shall  
70 be established by the executive.

71 H. Projects shall conform with applicable county requirements for contracting  
72 services.

73 I. All contingent loan agreements resulting in a credit enhancement for a project  
74 shall be structured to minimize the county's financial risk and shall ensure the county's  
75 right to review all project records and direct corrective measures deemed necessary to  
76 prevent financial instability, material or technical default. All agreements shall be  
77 reviewed and approved by appropriate county staff from housing and community  
78 development, finance and business operations, the prosecuting attorney, and risk  
79 management and shall be reviewed by the county's economic development consultant  
80 and bond counsel, as appropriate.

81 J. Projects receiving credit enhancements shall have the option to make a  
82 payment in lieu of providing additional project affordability. The payment shall be  
83 allocated to the housing opportunity fund for the sole purpose of funding development of  
84 affordable low-income housing.

85 K. Projects may vary in financial risk to the county. While financial risks are to  
86 be minimized, the county may extend credit enhancements where risks exist, but only if

87 the county has adequate financial reserves to cover county credit enhancement  
88 obligations.

89 SECTION 3. Ordinance 14269, Section 4, and K.C.C. 24.28.030 are each hereby  
90 amended to read as follows:

91 A. The executive shall establish a credit enhancement reserve account within the  
92 housing opportunity fund. Interest income generated by the reserve account shall be  
93 retained in the reserve account to increase the amount of credit enhancement reserve  
94 funds. Funds contained in the credit enhancement reserve account shall be used if, under  
95 the terms of a contingent loan agreement, the county is obligated to make a loan to a  
96 housing development that has received credit enhancement.

97 B. The executive is authorized to collect an application fee (~~equal to~~) between  
98 0.2 and 0.4 percent of the amount of project debt that is credit enhanced. The application  
99 fee shall be payable at the time that a contingent loan agreement is approved. The  
100 proceeds of this fee shall be deposited in the credit enhancement reserved account. In  
101 establishing the level of the application fee authorized in this section, the executive shall  
102 give primary consideration to the costs incurred by the county for processing an  
103 application for credit enhancement.

104 C. The credit enhancement reserve account shall not exceed an amount equal to  
105 one percent of the total outstanding credit enhanced project debt. Reserve account funds  
106 in excess of the required credit enhancement reserve shall be transferred to the housing  
107 opportunity fund, and used for program administrative costs.

108 SECTION 5. Ordinance 14269, Section 5, and K.C.C. 24.28.040 are each hereby  
109 amended to read as follows:


110 The executive is authorized to impose an annual monitoring fee ((e)f) between  
111 0.05 and 0.10 percent of the amount of project debt that is credit enhanced. The proceeds  
112 of this fee shall be deposited in the ((H))housing ((O))opportunity ((F))fund and used for  
113 program administrative costs. In establishing the level of the annual monitoring fee  
114 authorized in this section, the executive shall give primary consideration to the costs  
115 incurred by the county for monitoring projects which have received credit enhancement  
116 from the county.

117

Ordinance 16075 was introduced on 3/24/2008 and passed by the Metropolitan King  
County Council on 4/28/2008, by the following vote:

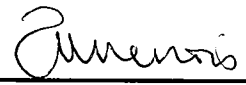
Yes: 8 - Ms. Patterson, Mr. Dunn, Ms. Lambert, Mr. von Reichbauer, Mr.  
Ferguson, Mr. Gossett, Mr. Phillips and Ms. Hague  
No: 0  
Excused: 1 - Mr. Constantine

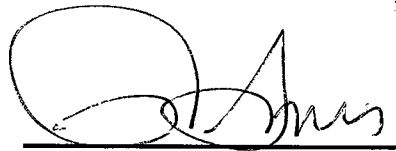
KING COUNTY COUNCIL  
KING COUNTY, WASHINGTON

  
\_\_\_\_\_  
Julia Patterson, Chair

RECEIVED  
2008 MAY -7 PM 12:31  
KING COUNTY COUNCIL  
CLERK

ATTEST:

  
\_\_\_\_\_  
Anne Noris, Clerk of the Council  
APPROVED this 6 day of May, 2008.

  
\_\_\_\_\_  
Ron Sims, County Executive

**Attachments** A. King County Credit Enhancement Program Activity, B. Projected Available Credit  
Enhancement Authority Based Upon Principal Reduction on Credit Enhancement  
Debt, C. Credit Enhancement Credit Committee Members

### Attachment A - King County Credit Enhancement Program Activity

<b>King County Affordable Housing Credit Enhancement Program Project Commitments</b>				
<b>Project Name, Location and Owner</b>	<b>Date of Commitment</b>	<b>Amount of Project Debt Provided Credit Enhancement</b>	<b>Value of Credit Enhancement</b>	<b>Total Units/ Affordable Units</b>
Woodridge Park Apartments, Riverton Heights King County Housing Authority	May 1995*	\$4,860,000	\$420,000	201 units/ 9 with additional affordability
Windsor Heights Apartments, SeaTac King County Housing Authority	August 1998	\$10,650,000	\$425,000	327 units/ 75 units with additional affordability
Ellsworth House Apartments, Mercer Island St. Andrews Housing Group	October 1999	\$670,000	\$160,000	59 units/ 59 affordable
Overlake Transit Oriented Development, Redmond King County Housing Authority	July 2000	\$28,000,000	\$3,416,400	306 units/ 306 affordable
Eastwood Square Apts. Bellevue King County Housing Authority	October 2001	\$4,000,000	\$500,000	48 units/48 affordable
Greenbridge- Seola Crossing Phase White Center King County Housing Authority	April 2006	\$35,000,000	\$2,700,000	929 units/455 affordable
Greenbridge- Nia Apartments Phase White Center King County Housing Authority	April 2007	\$15,000,000	\$150,000	Same as Seola Crossing above
280 Clark Apartments Issaquah St. Andrews Housing Group	August 2007	\$3,000,000	\$200,000	38 units/38 units affordable

\*Approved prior to establishment of program

Projected Available Credit Enhancement Authority Based Upon  
Principal Reduction on Credit Enhancement Debt

Project	Initial Credit Enhanced Principal	Principal Reduction											Outstanding Cumulative Principal	
		Pre-2000	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		2010
Woodridge Park	\$4,860,000	\$275,000	\$80,000	\$80,000	\$85,000	\$90,000	\$95,000	\$100,000	\$110,000	\$115,000	\$120,000	\$125,000	\$130,000	\$3,455,000
Windsor Heights	\$10,650,000	\$160,000	\$170,000	\$175,000	\$180,000	\$190,000	\$200,000	\$210,000	\$215,000	\$230,000	\$240,000	\$250,000	\$260,000	\$8,170,000
Ellsworth House	\$670,000		\$9,461	\$10,045	\$10,664	\$11,322	\$11,667	\$12,283	\$12,932	\$13,614	\$14,300	\$15,000	\$15,000	\$548,712
Overlake TOD	\$33,250,000			\$9,525,000	\$0	\$0	\$0	\$0	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$23,525,000
Eastwood Square	\$4,000,000			\$5,000	\$35,000	\$35,000	\$35,000	\$40,000	\$40,000	\$40,000	\$40,000	\$45,000	\$45,000	\$3,870,000
Greenbridge #1	\$35,000,000							\$0	\$0	\$0	\$0	\$4,055,000	\$8,055,000	\$22,890,000
Greenbridge #2	\$15,000,000								\$0	\$0	\$0	\$0	\$15,000,000	\$0
280 Clark Apts	\$3,000,000								\$0	\$30,000	\$30,000	\$35,000	\$35,000	\$2,900,000
<b>Total Authority Used</b>	<b>\$106,430,000</b>													<b>\$65,358,712</b>
<b>Principal Reduction by Year</b>		\$435,000	\$250,000	\$264,461	\$9,805,045	\$325,664	\$341,322	\$356,667	\$377,283	\$447,932	\$493,614	\$4,574,300	\$23,590,000	
<b>Cummulative Returned Authority</b>		\$435,000	\$685,000	\$949,461	\$10,754,506	\$11,080,170	\$11,421,492	\$11,778,159	\$12,155,442	\$12,603,374	\$13,096,988	\$17,671,288	\$41,261,288	
<b>Remaining Authority</b>					\$5,725,442	\$6,173,374	\$6,666,988	\$11,241,288	\$11,241,288	\$11,241,288	\$11,241,288	\$11,241,288	\$34,831,288	



Attachment C - Credit Enhancement Credit Committee Members

Susan Duren, President, Washington Community Reinvestment Association

Patrick Howard, Founding Member, Evergreen Pacific Capital

Ron Lehr, Senior Vice-president, Wells Fargo Bank

Nigel Lewis, Senior Debt Analyst, Treasury Operations Section, Executive Services

Caroline McShane, Deputy Director, FBOD, Executive Services

Marty Lindley, Business Director, DCHS

To be named-Budget Supervisor, Office of Management and Budget.