



# KING COUNTY

1200 King County Courthouse  
516 Third Avenue  
Seattle, WA 98104

## Signature Report

October 23, 2017

Ordinance 18591

Proposed No. 2017-0376.1

Sponsors Kohl-Welles and Uptegrove

1 AN ORDINANCE relating to credit enhancement for  
2 affordable housing, establishing a King County Housing  
3 Authority credit enhancement program, replacing outdated  
4 references to the housing opportunity fund; amending  
5 Ordinance 12808, Section 2, as amended, and K.C.C.  
6 24.28.010, Ordinance 12808, Section 3, as amended, and  
7 K.C.C. 24.28.020 and Ordinance 14269, Section 4, as  
8 amended, and K.C.C. 24.28.030, adding a new section to  
9 K.C.C. chapter 24.28 and repealing Ordinance 14269,  
10 Section 5, as amended, and K.C.C. 24.28.040.

11 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

12 SECTION 1. Findings:

13 A. The public interest, welfare and benefit require that the county utilizes all  
14 appropriate and available national, state and local resources to aid the poor and infirm of  
15 King County. Chief among the needs for very low, low- and moderate-income  
16 households, elderly, and disabled persons is suitable and affordable housing. Local  
17 government involvement ensuring construction of housing for very low, low-, moderate-  
18 and median-income households is needed in the current and foreseeable future of the  
19 housing market in King County. It is necessary to develop a variety of tools, incentives,

20 and mechanisms to generate and provide funding for workforce housing.

21 B. A component of housing price is the cost of financing the construction of the  
22 housing and the required repayment of short and long-term loans from private and public  
23 resources. The interest rate associated with loans for any project can greatly affect the  
24 overall cost of the housing.

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

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

32 E. In 1997, Ordinance 12808 established a credit enhancement program and  
33 directed the executive to prepare guidelines for program administration.

34 F. In 2008, Ordinance 16075 increased the total amount of outstanding project  
35 debt benefitting from the credit enhancement from King County to two hundred million  
36 dollars.

37 G. Since implementation of the program, nineteen developments comprised of  
38 over two thousand one hundred units have been assisted under the program, sixteen of  
39 which are owned by the King County Housing Authority.

40 H. In order to further facilitate additional funding for affordable housing, the total  
41 amount of outstanding project debt benefitting from the credit enhancement from King  
42 County should be increased by an additional two hundred million dollars as specified in

43 this ordinance.

44 I. The King County Housing Authority credit enhancement program established  
45 by this ordinance is expected to add approximately two thousand two hundred units of  
46 rental housing to the workforce housing stock of King County, by allowing the King  
47 County Housing Authority to readily access municipal credit markets at the lowest  
48 available interest rates in order to move quickly to secure long term rental affordability in  
49 multiple properties.

50 SECTION 2. Ordinance 12808, Section 2, as amended, and K.C.C. 24.28.010 are  
51 hereby amended to read as follows:

52 A. The executive is hereby authorized to implement a project-based credit  
53 enhancement program utilizing the county's full faith, credit and resources to make  
54 available credit enhancements for workforce housing projects assisting the poor and  
55 infirm. For the purposes of this chapter, project-based means that applications will be  
56 proposed, reviewed and approved based on the financial viability of each project. The  
57 executive is further authorized to enter contingent loan agreements with housing  
58 developers ~~((provided that)), but only if~~ the total amount of outstanding ~~((project))~~ debt  
59 benefiting from a project-based credit enhancement ~~((from King County through))~~ under  
60 this program shall not exceed two hundred million dollars. The project-based credit  
61 enhancement program and its associated contingent loan agreements shall ~~((adhere to the~~  
62 ~~parameters defined in))~~ be governed by K.C.C. 24.28.020.

63 B. The executive is hereby authorized to implement the King County Housing  
64 Authority Credit enhancement program utilizing the county's full faith, credit and  
65 resources to make available credit enhancement to the King County Housing Authority

66 for workforce housing. The executive is further authorized to enter into contingent loan  
67 agreements with the King County Housing Authority, but the total amount of outstanding  
68 debt benefiting from a credit enhancement from King County through this program shall  
69 not exceed two hundred million dollars. The King County Housing Authority credit  
70 enhancement program and its associated contingent loan agreements shall be governed by  
71 Section 6 of this ordinance.

72 SECTION 3. Ordinance 12808, Section 3, as amended, and K.C.C. 24.28.020 are  
73 hereby amended to read as follows:

74 A. The project-based credit enhancement program will add to the stock of  
75 workforce housing aiding the poor and infirm of King County. The program is intended  
76 to create an incentive to develop new types of housing, increased affordability for  
77 residents, and realization of multiple growth management goals. Extension of credit  
78 enhancements to housing developers to secure favorable financing terms for housing  
79 projects ~~((shall))~~ should result in tangible benefits to the direct beneficiaries ~~((f))~~, who are  
80 poor and infirm residents of the proposed housing~~((t))~~, and other public benefits, as  
81 appropriate. Project-based ~~((C))~~ credit enhancements may be utilized ~~((when))~~ for one or  
82 more of the following:

83 1. ~~((e))~~ Enabling the development of needed housing that would not otherwise  
84 have been built were the project-based credit enhancement unavailable; ~~((and/or))~~

85 2. ~~((i))~~ Increasing the affordability of individual units that are targeted for lower  
86 income households within workforce housing projects; ~~((or))~~ and

87 3. ~~((p))~~ Providing a payment to King County in lieu of additional project  
88 affordability for the purpose of developing affordable housing at another location.

89 B. Eligible applicants may include public housing authorities, (~~non-profit~~)  
90 nonprofit organizations, for-profit organizations, local governments, public agencies(~~(s)~~)  
91 and public development authorities.

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

95 D. Project-based (~~(€)~~)credit enhancements are to be used to assist the  
96 development of mixed-income projects that add to the stock of workforce housing units  
97 in King County, including homeownership opportunities for eligible beneficiaries.  
98 Owned housing must remain affordable for subsequent buyers who are eligible  
99 beneficiaries or upon resale to an ineligible buyer the county shall recapture the subsidy  
100 provided by the credit enhancement. Rental projects must guarantee long term  
101 affordability to eligible beneficiaries. Eligible activities shall include new construction  
102 and acquisition and/or rehabilitation of existing housing when the final product will yield  
103 additional workforce housing units.

104 E. Projects assisted through the project-based credit enhancement program must  
105 be located in urban centers or within close proximity to transit hubs or corridors. Projects  
106 proposed to be sited elsewhere may be considered when there are unique opportunities to  
107 aid eligible beneficiaries. These projects shall nevertheless demonstrate access to  
108 employment, transportation and human services, and adequate infrastructure to support  
109 housing development.

110 F. Applications for project-based credit enhancements should be accepted year  
111 round to accommodate timely approval of final financial arrangements for projects.

112 Proposed projects must detail the financial benefit of the project-based credit  
113 enhancement over the life of the project and how that benefit will be realized by eligible  
114 beneficiaries residing in the project.

115 G. All projects shall undergo rigorous ~~((internal))~~ review for financial, legal and  
116 policy compliance by staff ~~((housing and))~~ from appropriate county agencies, including  
117 the community ~~((development))~~ services division, the finance and business operations  
118 division and the office of the prosecuting attorney ~~((review and underwriting for~~  
119 ~~financial, legal and policy compliance. In addition, projects shall undergo external~~  
120 ~~underwriting by the county's economic development consultant and bond counsel when~~  
121 ~~merited. Where needed, opinions from a bond rating service shall be required))~~. When  
122 determined necessary by staff, review by the county's economic development consultant  
123 and bond counsel, as well as opinions from a bond rating service, shall be required.

124 Project-based ~~((€))~~ credit enhancements shall be used to improve the credit worthiness of  
125 the housing developer, but shall never be used as a sole source of credit worthiness of an  
126 applicant. Developers and developer teams shall be competent, experienced and  
127 financially stable. Minimum standards for developers and projects shall be established  
128 by the executive.

129 H. Projects shall conform with applicable county requirements for contracting  
130 services.

131 I. All contingent loan agreements resulting in a project based credit enhancement  
132 for a project shall be structured to minimize the county's financial risk and shall ensure  
133 the county's right to review all project records and direct corrective measures deemed  
134 necessary to prevent financial instability, material or technical default. All agreements

135 shall be reviewed and approved by appropriate county ~~((staff (housing and)) agencies,~~  
136 including the community ((development)) services division, the finance and business  
137 operations division, the office of the prosecuting attorney((;)) and the office of risk  
138 management, and shall be reviewed by the county's economic development consultant  
139 and bond counsel, as appropriate.

140 J. Projects receiving project-based credit enhancements shall have the option to  
141 make a payment in lieu of providing additional project affordability. The payment shall  
142 be allocated to the housing ~~((opportunity))~~ and community development fund for the sole  
143 purpose of funding development of affordable low-income housing.

144 K. Projects will vary in financial risk to the county. While financial risks are to  
145 be minimized, the county may extend project-based credit enhancements where risks  
146 exist, provided the county has adequate financial reserves to cover county credit  
147 enhancement obligations.

148 L. The executive is authorized to collect an application fee between 0.2 and 0.4  
149 percent of the amount of project debt that is credit-enhanced under the project-based  
150 credit enhancement program. The application fee shall be payable at the time that a  
151 contingent loan agreement is approved. The proceeds of the application fee shall be  
152 deposited in the credit enhancement reserve account described in K.C.C. 24.28.030.A. In  
153 establishing the level of the fee, the executive shall give primary consideration to the  
154 costs incurred by the county for processing an application for a project-based credit  
155 enhancement.

156 M. The executive is authorized to impose an annual monitoring fee between 0.05  
157 and 0.10 percent of the amount of project debt that is credit enhanced under the project-

158 based credit enhancement program. The proceeds of the monitoring fee shall be  
159 deposited in the housing and community development fund and used for program  
160 administrative costs.

161 SECTION 4. Ordinance 14269, Section 4, as amended, and K.C.C. 24.28.030 are  
162 hereby amended to read as follows:

163 A. The executive shall establish a project-based credit enhancement reserve  
164 account within the ~~((housing opportunity))~~ housing and community development fund.  
165 Interest income generated by the reserve account shall be retained in the reserve account  
166 to increase the amount of project-based credit enhancement reserve funds. ~~((Funds))~~  
167 Moneys contained in the project-based credit enhancement reserve account shall be used  
168 if, under the terms of a contingent loan agreement, the county is obligated to make a loan  
169 to a housing development that has received project-based credit enhancement.

170 B. ~~((The executive is authorized to collect an application fee between 0.2 and 0.4~~  
171 ~~percent of the amount of project debt that is credit enhanced. The application fee shall be~~  
172 ~~payable at the time that a contingent loan agreement is approved. The proceeds of this~~  
173 ~~fee shall be deposited in the credit enhancement reserve account. In establishing the level~~  
174 ~~of the application fee authorized in this section, the executive shall give primary~~  
175 ~~consideration to the costs incurred by the county for processing an application for a credit~~  
176 ~~enhancement.~~

177 C.)) The project-based credit enhancement reserve account shall not exceed an  
178 amount equal to one percent of the total ~~((outstanding))~~ credit-enhanced project debt  
179 outstanding under the project-based credit enhancement program. Reserve account funds  
180 in excess of the required credit enhancement reserve shall be transferred to the housing

181 ((~~opportunity~~)) and community development fund, and used for program administrative  
182 costs.

183 SECTION 5. Ordinance 14269, Section 5, as amended, and K.C.C. 24.28.040 are  
184 each hereby repealed.

185 NEW SECTION. SECTION 6. There is hereby added to K.C.C. chapter 24.28 a  
186 new section to read as follows:

187 A. The King County Housing Authority credit enhancement program is hereby  
188 created.

189 B. The King County Housing Authority shall be the only eligible user of the  
190 program.

191 C. All projects financed under the program shall satisfy the requirements of state  
192 housing authority law, chapter 35.82 RCW, which requires a minimum of fifty percent of  
193 the units in a project be made available to and affordable to eligible beneficiaries, which  
194 are households with income at or below eighty percent of the area median income.

195 D. Credit enhancement under the program will be utilized by the King County  
196 Housing Authority to assist in the acquisition, new construction or rehabilitation, or any  
197 combination of acquisition, new construction and rehabilitation, of housing that adds to  
198 the stock of workforce housing units in King County. The purpose of the King County  
199 Housing Authority credit enhancement program is to provide long term affordability to  
200 eligible beneficiaries consistent with the requirements of state housing authority law.

201 E. All properties developed or acquired under the program must be located in  
202 areas with access to high capacity transit, schools, jobs or other social amenities that  
203 support upward economic mobility.

204 F. The King County Housing Authority may submit requests to commit credit  
205 enhancement under the program on a rolling basis until December 31, 2022, at which  
206 time no new credit enhancement commitments shall be made.

207 G. Credit enhancement under the program shall be provided and underwritten to  
208 the financial strength, legal and policy compliance of the King County Housing Authority  
209 and not based on an individual project viability review. Credit enhancements shall be  
210 used to provide the King County Housing Authority with ready access to municipal credit  
211 markets at the lowest available interest rates.

212 H. All financial instruments utilized by the King County Housing Authority with  
213 credit enhancement under the program shall comply with all state and federal law.

214 I. All contingent loan agreements resulting in credit enhancement under the  
215 program shall be structured to minimize the county's financial risk, and the county shall  
216 have recourse to the King County Housing Authority's general revenues as security for its  
217 contingent loan agreements.

218 J. The King County Housing Authority shall provide to the community services  
219 division its annual audited financial statements within ten days of receipt and participate  
220 in an annual credit review by the appropriate county agencies, including community  
221 services division, the finance and business operations division and the office of the  
222 prosecuting attorney, with review by the county's economic development consultant and  
223 bond counsel, as appropriate.

224 K. The executive is authorized to collect an application fee up to 0.3 percent of  
225 the amount of credit enhancement committed under the program. The application fee  
226 shall be payable on the effective date of each commitment of county credit enhancement

227 under the program. The proceeds of the application fee shall be deposited in the housing  
228 and community development fund and used for program administrative costs.

229 L. The executive is authorized to impose an annual monitoring fee of up to 0.1  
230 percent of the amount committed under the program's credit enhancement. The proceeds  
231 of the monitoring fee shall be deposited in the housing and community development fund  
232 and used for program administrative costs.

233

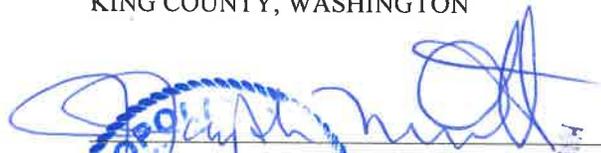
Ordinance 18591 was introduced on 9/18/2017 and passed by the Metropolitan King  
County Council on 10/23/2017, by the following vote:

Yes: 9 - Mr. von Reichbauer, Mr. Gossett, Ms. Lambert, Mr. Dunn,  
Mr. McDermott, Mr. Dembowski, Mr. Upthegrove, Ms. Kohl-Welles  
and Ms. Balducci

No: 0

Excused: 0

KING COUNTY COUNCIL  
KING COUNTY, WASHINGTON

  
Joseph McDermott, Chair

ATTEST:

  
Melani Pedroza, Clerk of the Council



Dow Constantine, County Executive

APPROVED this 26 day of OCTOBER, 2017.

RECEIVED  
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KING COUNTY COUNCIL  
CLERK

Attachments: None