



Legislation Text

File #: 2009-0551, **Version:** 2

Clerk 11/12/2009

AN ORDINANCE authorizing the executive to develop and administer an interim loan program to facilitate acquisition of property for low income housing; and adding a new chapter to K.C.C. Title 24.

BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

SECTION 1. Sections 2 through 7 of this ordinance should constitute a new chapter in K.C.C. Title 24.

NEW SECTION. SECTION 2. The executive is hereby authorized to develop and administer in the department of community and human services an interim loan program to facilitate acquisition of property for low-income housing. The executive is further authorized to enter into interim loan agreements with low-income housing developers. The interim loan program and its interim loan agreements shall comply with policies and requirements in this chapter.

NEW SECTION. SECTION 3. A. The interim loan program will add to the stock of housing for low-income and special needs residents of King County by facilitating acquisition of low-income housing using homeless housing and services program moneys and mental illness and drug dependency housing services moneys in the housing opportunity fund. These funding sources are collected and awarded to projects annually but are spent down in a manner that creates a fund balance that is carried over from year to year. The interim loan program will allow the county to loan moneys from these low-cost fund balances to experienced housing developers on a short-term, interim basis to acquire property for affordable and homeless housing for households at or below fifty percent of area median income for King County. Interim loans will be awarded only when the project sponsor can provide satisfactory assurances of project feasibility such that permanent funding for the project is highly likely to be secured and the interim loan amount will be repaid within a reasonable period of time, not to exceed five years. No more than six million dollars shall be made available for interim loans at any time.

NEW SECTION. SECTION 4. A. The department may make interim loans only when the borrower demonstrates that the moneys will be used for eligible purposes, and provides reasonable assurance that permanent funding will be available on acceptable terms for repayment of the moneys before the loan maturity date and that appropriate security is provided by the borrower to ensure

guarantee repayment.

B. A single borrower may hold a maximum of one outstanding interim loan.

C. Moneys shall be made available only to acquire affordable and homeless housing for households at or below fifty percent of area median income for King County. Priority shall be afforded to projects proposing development of permanent housing that designates at least twenty-five percent of the units for homeless households at or below thirty percent of area median income for King County. The projects shall submit preliminary plans for providing an appropriate level of supportive services for the targeted homeless population to be served.

D. The borrower must meet each the following criteria:

1. The borrower has developed and operated publicly funded capital projects in King County;
2. The borrower provides annual independent organizational financial audits with no findings of material weaknesses or qualification that would indicate concerns about the financial operations of the borrower;
3. The borrower is in good standing with local public funders and is current with annual report submissions;
4. The borrower's publicly funded properties are well maintained, are performing to industry standards and are in compliance with public funder regulatory and loan agreement terms and requirements for replacement or operating reserve accounts, or both;
5. All borrower projects are current with any debt service including public funder loan payments, taxes and insurance;
6. The borrower's development track record demonstrates that projects were completed within acceptable timelines and within budget; and
7. The borrower demonstrates the ability to secure permanent funding and pay off the interim loan within five years.

E. Proposed use of the property to be acquired shall be compatible with the applicable comprehensive plan.

F. The borrower shall provide a current appraisal of the property.

NEW SECTION. SECTION 5. A. Interim loans shall be subject to all applicable funding source restrictions and to all of the department of community and human services's capital housing funding conditions and policies.

B. The interest rate on interim loans shall be three percent simple interest, with accrued interest deferred and paid in full at the time repayment is due.

C. The maximum term for full repayment of an interim loan shall be five years.

D. Up to one hundred percent loan-to-value ratio may be allowed upon showing that the county's interest in repayment is sufficiently assured.

E. All interim loans shall be secured with a lien on the property acquired.

F. An affordability covenant agreement shall be placed in first lien position.

G. The borrower shall begin the process to secure permanent financing from public and private funders, as applicable, within one year from the time the interim loan is made.

H. The borrower shall provide title insurance, liability and property insurance for the property.

NEW SECTION. SECTION 6. The department of community and human services shall establish application procedures to ensure compliance with lending criteria in this chapter.

NEW SECTION. SECTION 7. Decisions whether to approve an interim loan application are within the county's sole and complete discretion. This chapter is not intended to create any right or entitlement to interim loan funding for potentially eligible applicants.