

MINUTES OF THE REGULAR MEETING  
OF THE HOUSING AUTHORITY  
OF THE CITY OF SEATTLE  
JUNE 18, 2018

The Commissioners of the Housing Authority of the City of Seattle (“Seattle Housing Authority” or “SHA”) met in regular session on June 18, 2018, at SHA’s Central Office Building located at 190 Queen Anne Avenue North, Seattle, Washington. Board Vice-Chair Emily Abbey called the meeting to order at 5:01p.m. Kimberly Garrett performed a roll call for Board Commissioners in attendance. Commissioners present and absent were as follows:

Present: Debbie Thiele, Chair (by phone)  
Emily Abbey, Vice-Chair  
Robert Crutchfield  
Gerald Smiley

Absent: Ahmed Abdi  
Dr. Paula Houston  
Paul Purcell

Public Comment

Jiro Ramji  
Devin Silvernail  
Audrey LeBras  
Eloise Lombard  
Pierre Finalot  
Sasha Somer

Consent Agenda

Commissioner Abbey presented the Consent Agenda, which included approval of minutes for the Special Annual Board Meeting of May 21, 2018; minutes for the Regular Board Briefing of June 11, 2018; and, approval of the Expenditure Certification Report (Authorization to Pay Outstanding Obligations of Salaries and Claims for the Period of May 1 through May 31, 2018).

Commissioner Crutchfield moved to approve the Consent Agenda and the motion was seconded by Commissioner Smiley. Hearing no questions or comments, Commissioner Abbey

called for a vote. The Consent Agenda was approved by majority vote of those Board members present (4 yes; 0 no).

## Regular Agenda

### Tax Credit Exits 101

Deputy Director Anne Fiske Zuniga introduced Finance & Asset Management Director Jared Cummer. Mr. Cummer gave a presentation to the Board regarding low income housing tax credit partnership exits, which is a precursor to Board action that will be needed in July regarding a tax credit partnership exit for High Point North. The discussion overview contained program basics, partnership structure, agreements and exits.

The Tax Credit Program was created in 1986 as part of **President Reagan's Tax Reform** plan, located in Section 42 of the Internal Revenue Code IRC, which allows for this program to occur. It requires the creation of a For Profit Partnership. In Washington State, we set up Limited Liability Limited Partnerships (LLLLP), which requires two members: a Limited Partner (LP), which would be the Bank/Syndicator, and a General Partner (GP), i.e., SHA. The LLLLP would own the project with the LP, or tax credit investor, receiving a 99.99% share of the partnership, while the GP, or Non-Profit, or For Profit Developer would receive a .01% share. The IRS is responsible for allocating the tax credits annually over the next ten years which are provided through the state (via the Washington State Housing Finance Commission, or WSHFC) which then provide an allocation to the owners, the LLLLP. We then sell that allocation of tax credits to the Bank/Syndicator through the equity investment, which brings money back in to the partnership. Simultaneously, SHA makes a loan through other funding sources.

Once the tax credits are sold, there is a responsibility on the owners to make sure that compliance is met. Although the tax credits themselves are sold all up front in year one, they are allocated to the Bank/Syndicator over a ten-year period. However, the compliance period under the IRS code is for fifteen years and is based on a dollar for dollar value to the investor. The LP gets a 99.99% share of ownership, but also receives that same percentage in partnership losses, most caused by a depreciation of fixed assets.

The guiding document for the Partnership agreement defines the role of SHA as the GP, which serves as the managing partner, as well as the tax matters partner (audits, tax return filings, and other IRS requirements and compliance regulations.) The agreement gives SHA the right of first refusal/purchase option to get the partnership back to retain ownership of the properties to keep their allocation in line with the mission of the agency.

Partnership exits occur when the LP has received their tax break for buying the property, the losses and the return on their investment and after the period is up no longer want to remain an owner of the partnership. For The GP, we want to preserve the low income housing units for perpetuity and retain ownership of the housing stock. Early exits occur prior to year fifteen of the compliance period, which gives the GP full control of the property and makes it possible to make investments, or improvements that may not have been in line of the goals of the LP. In order to exit early, we much indemnify the LP and reduces their exit liability.

In negotiations with the LP, the GP would work out the exit price and any legal costs; once this deal is in place with the LP, the GP purchases 99.99% of the LLLP, with the SPACE Foundation, as a 501.C4 placeholder as the LP, receiving 01%. To dissolve the partnership to 100% SHA ownership, approvals are required for the dissolution by the Board, HUD, WSHFC and lenders involved.

#### Voucher Payment Standard 101

Rental Assistance Programs Director Cynthia Setel and CFO Shelly Yapp revisited to the Board a background as to what drives a lot of the challenges of leasing up with vouchers in **Seattle's current rental market.**

Voucher Payment Standards (VPSs) define the maximum amount of rental subsidy a housing authority will pay on behalf of Housing Choice Voucher (HCV) participants based upon household size, unit required, etc. Nationally, HUD-established Fair Market Rents (FMRs) are the primary driver for housing authorities to establish their VPS. SHA, as a Moving to Work (MTW) agency has flexibility to utilize its vouchers in order to serve more people, while maximizing the impact toward our mission and strategic plan. Recommendations are made to the Board as to amount of rental subsidies based upon annual Fair Market Rents (FMR) for our

area. In late February, HUD published revised and final 2018 Fair Market Rents (FMR) for the Seattle-Bellevue WA Metro Area, which showed a 23 percent increase in the FMR's over the 2017 FMR's, while HUD's initial FMRs showed a 1 percent decrease in Seattle-Bellevue area rents. HUD's determination in developing FMRs is to reflect the 40th percentile of rental prices by bedroom size in the area.

SHA administers over 10,000 Housing Choice Vouchers. Of this total, 7% (approximately 780) are reserved for special populations, such as veterans and foster youth. Payment Standards for these vouchers are typically driven by HUD regulations and MTW flexibility does not apply. The remaining 93% of the vouchers (9,740) are MTW Vouchers that SHA elects to distribute between Tenant-Based vouchers (where the voucher is issued to individual households and remains with household until they leave the program)—and Project-Based vouchers (which have been committed to and remain with project-based programs operated by public agencies or non-profit housing providers.) Over the next month, staff will come to the Board with analyses, options and recommendations for changes to the Private Rental Market Voucher Payment Standard (PM-VPS) for the Tenant Based Vouchers level, and who would be eligible for the proposed changes. We will be looking at nontraditional approaches to balance budgetary constraints, with providing more choice for voucher holders. We will also develop a recommendation for moving forward, and construct a public process to solicit feedback from the broader community.

#### Executive Director Report

Deputy Director Fiske Zuniga briefing covered Mr. Lofton's **Executive Director Report** with the Board and informed them that we are in the process of responding to WCAN and are **working to set up a meeting to discuss their concerns regarding SHA's eviction fees.** She also brought to their attention the Boards and Commissions Appreciation Reception, given by the **Mayor's Office to recognize the various boards and commissions in Seattle, and encouraged them to attend and be recognized.**

Commissioner Abbey asked if there were any further questions or comments from staff, or from her colleagues on the Board. Hearing none, the June 18, 2018 Regular Session of the Board was adjourned at 6:21 p.m.

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Secretary-Treasurer