

# MOVING KING COUNTY RESIDENTS FORWARD

Regular Meeting of the Board of Directors

April 21, 2014

## Agenda

1. Call to Order
2. Roll Call
3. Public Comments
4. Approval of Minutes, December 16, 2013 Board Meeting
5. Resolution 20: Election of Officers
6. Financial Report: Unaudited CY 2013 Financial Statements
7. New Business
8. Commissioner Comments
9. Adjourn

**MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS  
OF  
MOVING KING COUNTY RESIDENTS FORWARD**

**December 16, 2013**

**I. CALL TO ORDER**

The Meeting of the Board of Directors of Moving King County Residents Forward (MKCRF) was called to order by President Doug Barnes at 10:15 a.m. at the King County Housing Authority's Administrative Offices, Snoqualmie Conference Room, located at 700 Andover Park West, Tukwila, Washington.

**II. ROLL CALL**

**Present:** Doug Barnes, President, Susan Palmer, Richard Mitchell, and Michael Brown, Directors, Stephen Norman, Secretary of the Corporation.

**Members of the Public:** None

**KCHA Staff:** Connie Davis, Tessa Martin, Dan Watson, Tim Walter, Mike Reilly, Beth Pearson, Bill Cook, Steve Jeffries and Kathleen McKay.

**III. Public Comments:**

No Public Comments.

**IV. APPROVAL OF THE MINUTES:**

Minutes from the September 23, 2013 Special Board Meeting were presented for approval. Director Brown moved for approval of the minutes, with Director Palmer seconding the motion. The minutes were unanimously approved.

**V. RESOLUTION No. 19:** Adoption of the Calendar Year 2014 Operating and Capital Budget.  
Presented by Connie Davis

Ms. Davis stated that Resolution 19 includes two budget documents; a combined one for the 22 MKCRF properties managed by the King County Housing Authority and one for the MKCRF Entity. The latter primarily reflects holding company type balances, such as fixed assets, depreciation, debt service and some administrative costs.

In 2014, due to both higher rents and occupancy levels, the Properties are projected to show a net positive change in working capital of \$240 thousand. This is insufficient to counter 2013's working capital deficit which resulted primarily from a large number of unit upgrades completed on higher than expected vacancies due to the Project's mobility option. This will not recur in 2014. KCHA has agreed to carry this deficit on its books until 2015 at which time cash flow should be sufficient to retire it.

President Barnes asked what the \$1.7 million obligated for projects in 2014 was designated for. Claude Da Corsi said a needs assessment had been developed which identified the most emergent

problems Steve Jeffries is also working with the property managers to identify additional site conditions. Planning for improvements will be based on these completed needs assessments.

President Barnes commented that as there were negative cash balances, would it be possible to address all capital needs identified? Connie responded that projects were prioritized based on available funding. There is a trade-off between large projects and unit upgrades. Sixteen upgrades are planned given the current cash flow. Projects and/or upgrades may be deferred in future years based on priorities.

**MOTION:** Moved that **RESOLUTION No. 19:** Adoption of the Calendar Year 2014 Operating and Capital Budget be approved.

**MOVED BY:** Director Brown and seconded by Director Mitchell.

There being no further discussion, the Motion was unanimously passed.

**VI. NEW BUSINESS:**

No new business was introduced.

**VI. Director Comments:**

No comments were presented.

**VII. ADJOURNMENT**

There being no further business, the meeting was officially adjourned at 10:27 a.m. by a motion from Director Brown, seconded by Director Palmer and unanimously passed.

**MOVING KING COUNTY RESIDENTS FORWARD**

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**Douglas J. Barnes**  
President

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**Stephen J. Norman**  
Secretary of the Corporation

## MOVING KING COUNTY RESIDENTS FORWARD

To: Board of Directors  
From: Connie Davis  
Date: April 9, 2014  
Re: 2014 Annual Meeting  
Board Resolution No. 20: Election of Officers

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The Annual Meeting of the Board of Directors of Moving King County Residents Forward will be held on Monday, April 21, 2014. At this meeting, the Board will elect three office positions as required by the By-laws: President, Secretary and Treasurer.

Under Section 4.1 of the Bylaws, officers do not need to be directors. In addition, the Bylaws allow two or more offices to be held by the same person, except the President and Secretary which cannot be filled by the same individual.

The current officers are: President-Doug Barnes; Secretary-Stephen Norman; Treasurer-Michael Brown.

### **Resolution No. 20: Election of Officers**

The Resolution contains blanks opposite the three officer positions which will be filled in during the meeting with the names of the elected individuals.

**MOVING KING COUNTY RESIDENTS FORWARD**

**RESOLUTION NO. 20**

**ELECTION OF OFFICERS**

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**WHEREAS**, Moving King County Residents Forward (MKCRF) is a not-for-profit organization recognized by the IRS as a 501(c)3 whose purpose is to perform the functions of, or to carry out the purposes of, its qualified Supported Organizations; and

**WHEREAS**, MKCRF is registered with the State of Washington as a WA Non-Profit Corporation as of August 4, 2009; and,

**WHEREAS**, Article 4 of the By-Laws of MKCRF requires the election of a President, Secretary and Treasurer.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF MOVING KING COUNTY RESIDENTS FORWARD:**

**Section 1:** The Board of Directors hereby nominates the following as Officers for MKCRF:

President: \_\_\_\_\_

Secretary \_\_\_\_\_

Treasurer \_\_\_\_\_

**ADOPTED AT THE ANNUAL MEETING OF THE BOARD OF  
DIRECTORS OF MOVING KING COUNTY RESIDENTS FORWARD THIS  
21st DAY OF APRIL, 2014.**

**MOVING KING COUNTY RESIDENTS FORWARD**

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**DOUGLAS J. BARNES**  
President, Board of Directors

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**STEPHEN J. NORMAN**  
Secretary

**Moving King County Residents Forward**  
**Balance Sheet**  
**As of December 31, 2013**  
**UNAUDITED**

**ASSETS**

Cash and cash equivalents	(\$16,262)	
FSS Reserves	-	
Security Deposits	-	
Investments	12,000,000	(1)
Accounts receivable	-	
Prepaid assets	-	
Construction in progress	5,569,989	
Fixed assets, net of accumulated depreciation	55,839,671	
Intangible assets, net of accumulated amortization	-	
Total Assets	<u>\$73,393,398</u>	

**LIABILITIES AND EQUITY**

<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$1,562,664	
Current Portion of Long-term Debt	487,486	
FSS funds payable	-	
Deferred Revenue	-	
<b>Non current Liabilities</b>		
Long term debt	17,400,333	(2)
Total liabilities	<u>19,450,482</u>	
Equity	<u>53,942,916</u>	
Total Liabilities and Equity	<u>\$73,393,398</u>	

- 1) Proceeds from KCHA loan invested in US Bank commercial paper for a term of 18 months.
- 2) Loan from KCHA to MKCRF to finance construction improvements

**Moving King County Residents Forward**  
**Statement of Operations**  
**For the period ended December 31, 2013**  
**UNAUDITED**

OPERATING REVENUE

Dwell Rent	-	
Other	369,678	(1)
	<u>369,678</u>	
Total operating revenue	369,678	

OPERATING EXPENSES

Administrative	483	
Payroll	-	
Professional services	36,438	(2)
Operator management fees	-	
Repairs and maintenance	77,291	(3)
Taxes and insurance	-	
Utilities	-	
	<u>114,212</u>	
Total operating expenses	114,212	
Net operating income (loss)	255,466	

OTHER REVENUE AND (EXPENSES)

Investment income	1,711	
Interest expense	(257,467)	
Depreciation and amortization	(988,096)	
Other	(8,168)	
	<u>(1,252,019)</u>	
Net other revenue and (expenses)	(1,252,019)	
Net income (loss)	<u><u>(\$996,553)</u></u>	

- 1) Reflects payments made by the operator on the note payable to KCHA on MKCRF's behalf
- 2) Legal and accounting fees
- 3) Rehab work too immaterial to be capitalized



**MKCRF-Owned Properties  
Combined Balance Sheets  
As of December 31, 2013**

**UNAUDITED**

**ASSETS**

Cash and cash equivalents	\$618,824
Security deposits	74,934
Replacement Reserves	127,296
Investments	0
Accounts receivable	1,628,246
Prepaid assets	56,126
Construction in progress	49,233 (1)
Fixed assets, net of accumulated depreciation	83,929
Intangible assets, net of accumulated amortization	0

Total Assets \$2,638,588

**LIABILITIES AND EQUITY**

Liabilities

Accounts payable and accrued liabilities	\$2,042,630
Security deposits payable	74,934
FSS funds payable	0
Deferred Revenue	14,583
Non current liabilities	499
Total liabilities	2,132,646

Equity 505,942

Total Liabilities and Equity \$2,638,588

1) Represents 2013 work-in-process incurred but not yet billed to MKCRF

**MKCRF-Owned Properties**  
**Combined Statement of Operations**  
**For the period ended December 31, 2013**  
**UNAUDITED**

	<u>Actuals</u>	<u>Annual Budget</u>	<u>Percent of Annual Budget</u>	
<b>OPERATING REVENUE</b>				
Dwell rent	\$5,839,797	\$6,619,353	88.2%	(1)
Other	47,180	78,493	60.1%	(2)
Total operating revenue	<u>5,886,977</u>	<u>6,697,846</u>	87.9%	
<b>OPERATING EXPENSES</b>				
Administrative	495,742	545,685	90.8%	
Payroll	1,397,920	1,094,220	127.8%	(3)
Professional services	35,323	143,249	24.7%	(4)
Operator management fees	415,100	515,515	80.5%	(5)
Repairs and maintenance	575,793	469,375	122.7%	(6)
Taxes and insurance	88,197	97,723	90.3%	
Utilities	756,860	677,195	111.8%	
Total operating expenses	<u>3,764,935</u>	<u>3,542,962</u>	106.3%	
Net operating income (loss)	2,122,042	3,154,884	67.3%	
<b>OTHER REVENUE AND (EXPENSES)</b>				
Investment income	(993)	0	n/a	
Payments to owner	(369,678)	(405,000)	91.3%	
Non operating transfers in (out)	0	(908,955)	0.0%	
Unit upgrades	(2,008,712)	(1,951,870)	102.9%	
Depreciation and amortization	(11,868)	0	n/a	
Net other revenue and (expenses)	<u>(2,391,251)</u>	<u>(3,265,825)</u>	73.2%	
Net income (loss)	<u>(\$269,209)</u>	<u>(\$110,941)</u>	242.7%	

- 1) Vacancies at Vista Heights (22 units) due to construction work; also some vacancies at Victorian, Eastridge and Riverton due unit upgrade work.
- 2) Tenant write-offs were greater than anticipated in the budget.
- 3) Budget inadvertently had some employees allocated to public housing rather than MKCRF.
- 4) \$100k of budget related to bond issuance costs which did not occur as the Authority borrowed money from the FHLB. Instead, the budget will be rolled into 2014 and applied towards costs of developing loan documents between KCHA and MKCRF so that loan can be pledged as collateral with the FHLB
- 5) Property management fees budgeted at 8% while actual fees have been closer to 7%.
- 6) Expense for playground equipment and paving were greater than anticipated in the budget.

## MOVING KING COUNTY RESIDENTS FORWARD

To: Board of Directors

From: Connie Davis

Date: April 11, 2014

Subject: Calendar Year 2013 Financial Results

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Attached for your review is the CY 2013 operating results for the combined 22 properties managed by the King County Housing Authority for Moving King County Residents Forward as well as the statements for the MKCRF ownership entity itself. This is the first full year of operations for these developments. Directors received a preliminary look at CY 2013 in December. These pages represent final unaudited results.

The properties generated a net operating income of \$2.1 million. This was more than \$1.0 million below budget due to a larger than anticipated number of vacancies caused by tenants exercising their mobility option. Approximately 175 households (34.4%) moved when given a choice. Family units turn less frequently than senior units and many of these units were in need of "heavy" unit upgrades. The statements reflect \$2.0 million in these costs for 82 units. As a whole the portfolio has had 279 units upgraded since 2007 when the force account project began, representing approximately 55% of the units.

Operating expenses were \$3.8 million, unfavorable to budget by \$222 thousand. Both utilities and maintenance and repairs exceeded their projections. It is likely that in preparing these initial budgets, costs were allocated incorrectly to this portfolio. The CY 2014 is more reflective of actual results and this variance should not recur.

In August 2013, MKCRF was loaned \$18 million by KCHA to pay for capital expenses over a several year period. In the original budget, it was assumed that the loan would be closed much earlier in 2013 and thus required significantly higher debt service. With the later closing, only 3 months of debt service were incurred. This favorable variance largely offset the \$810 thousand in lower revenues. The net loss is \$269 thousand.

A replacement reserve of \$250 per unit is fully funded for 2013.

### **MKCRF Entity**

Shown separately are the results for MKCRF entity itself. Including depreciation, net loss is \$996 thousand. Excluding this non-cash expense, the

entity experienced a loss of \$8.5 thousand. It also paid \$112 thousand in principal payments on its loan to KCHA.

In his February 2014 Capital Projects presentation Dan Watson discussed capital work which was completed during 2013 throughout the Authority, including the MKCRF projects. These are the projects and costs incurred in 2013:

<b>Site</b>	<b>Project</b>	<b>2013 Expended</b>
Campus Ct	Envelope/Drainage Project	\$ 959,256
Cedarwood	Indoor Air Quality/Reroofing	\$ 160,683
Eastridge	Water pipe replacement	\$ 229,479
Evergreen Ct	Envelope Upgrades	\$ 25,852
Forest Grove	Envelope	\$ 14,877
Glenview Heights	Indoor Air Quality/Attic Upgrades	\$ 17,671
Glenview Heights	Site Upgrades	\$ 30,833
Greenleaf	Drainage Upgrades	\$ 68,142
Juanita Ct	Siding, roofing, and windows	\$ 398,389
Juanita Ct	Office Bldg ADA Upgrades	\$ 81,189
Kings Ct	Indoor Air Quality/Reroofing	\$ 15,829
Kirkwood Terrace	Site Upgrades	\$ 379,441
Pickering Ct.	Siding and roofing	\$ 305,960
Riverton Terrace	Siding, Roofing, and Weatherization Upgrades	\$ 68,055
Shoreham	Siding, Windows, and Doors	\$ 1,098,158
Victorian Woods	Siding, Windows, and Doors	\$ 781,670
Vista Heights	Siding and Building Repairs	\$ 533,838
Vista Heights	Site Drainage Upgrades	\$ 748,155
<b>Total</b>		<b>\$ 5,917,477</b>

At the end of 2013, of the original \$18 million borrowed for capital work, \$12 million has not been disbursed although \$1.562 million was drawn in January to cover 2013 accrued costs. The amount available for 2014 and beyond projects is therefore \$10.438 million. Current projections show the balance of the loan being used before the end of 2015. This is well within the 60-month commitment KCHA made to HUD for the completion of the \$18 million in identified capital expenditures as reflected at the time of the disposition application.