



CHH Board Meeting

December 2018

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SECTION 1:

Meeting Keys

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December 2018

Capitol Hill Housing Board Meeting Keys and Agenda

Reminder: Dinner begins at 5:45. The meeting starts promptly at 6 PM.

We will enter into executive session as needed pursuant to RCW 42.30.110.

Introductions: Board, staff and guests make brief introductions.

Final consideration and election of Rachael Steward to the Board: Rachael has been a friend of CHH for some time, serving on our Community Development committee, presenting at a Board retreat and facilitating a community meeting as well as working alongside us in the community while she served as Deputy Director for the Center for Community Engagement at Seattle University. Rachael recently took a new job at the Seattle Housing Authority where she serves as Administrator, Community Service Division. Rachael's background in our community, affiliation with two colleague organizations, commitment to our work and values make her an ideal candidate to serve on the CHH Board of Directors. Rachael has attended two Board meetings, met with Rob and Chris together, and has met with Chris numerous times. The Executive Committee at their November meeting agreed to recommend Rachael to the Board. The Board will be asked to vote on this nomination which will take effect immediately.

Consent Agenda, Disclosures and Recusals, and Mission Moment: The consent agenda will be moved for adoption. Board members will review items on the agenda and make any necessary disclosures and recusals. The Chair will draw a name and a Board member will be asked to take a moment to discuss the importance of their work with CHH.

Public Comment: The Chair will ask any members of the public present for comment not to exceed 5 minutes per individual or 15 minutes combined.

Presentation and Discussion

Resident Services Annual Presentation: Ashley Thomas, Resident Services Manager, and members of her team will be at the Board meeting to update on their work in our portfolio communities and engage the Board in dialogue about Resident Services and its place within our organization. With the adoption of the 18 Point Plan, CHH leadership has identified the importance of *elevating resident services*. Background: Prior to 2011, CHH did not have a Resident Services department or resident services staff. The 2008 Vasys Report highlighted Resident Services as an industry best practice and in 2009 CHH undertook tenant research to demonstrate the financial efficacy of Resident Services. In 2011 we hired our first Resident Services Coordinator and in 2017 named Ashley Thomas program manager. Today the department has five full time employees providing service in all HUD buildings and support throughout the portfolio.

Resident Services works alongside CHH residents to encourage successful tenancy and housing stability. Resident Services affords residents increased access to resources and services ensuring residents have lower barriers to success. When residents have access to the services and support they need to thrive and not just survive, it creates cascading impacts of housing stability, resiliency, and community connectedness. Utilizing a resident-driven and resident-centered approach, we are transforming the perspective of residents as recipients, into being partners and contributors to a vibrant and engaged community. Resident Services serves as a conduit for success of our residents and our assets.

Presentation and Discussion (continued)

Strategic Questions: How do we see Resident Services integrating with our property management work? How is this work funded? How can we create the best Resident Services program at CHH within the Basic Services Model Framework? How much Resident Services do we need? What does it mean to elevate Resident Services within the organization? What is the interplay between Resident Services and our organizational values? What can we learn from Resident Services practices from our industry peers? What does resident-centered and resident-focused really mean? How do we embody/operationalize this value at every level of the organization?

Finance and Asset Management

Financial Summary: The Finance and Asset Management Committee presents its regular report and dashboard through October 2018.

The finance team completed work on updating CHH financial policies pending the completion of the 2018 State Auditors Report. The Finance and Asset Management Committee has approved the updated policies and recommends their adoption by the full Board. These policies are part of the consent agenda for this meeting.

By recommendation from the FAM Committee, starting in 2019, the Committee will meet monthly for one hour, rather than bi-monthly for two-hours.

2019 Draft Budget: Greg will present the 2019 DRAFT Budget which we expect to present to the Board for adoption at the regular Board meeting in January. PLEASE NOTE the consent agenda contains a memorandum approving the continuation of operations after December 31, 2018 and until the Board adopts the 2019 Budget.

Property Management

Update on management issues: Chris will provide a verbal update the Board on several property management issues including the Berneva, Oleta, Union James and LBB Lease Up. Additionally, Chris will provide data on spikes in our turn time and vacancy rates.

Executive Committee and Governance

Branding Update: Michael Seiwerath will give a brief update on the rebranding process. The branding committee held its first meeting and will hire a consultant to perform work to establish how we talk about and think about our work. As you will recall DEI Creative suggested that have clear agreement on our messaging before choosing a new name. Simultaneously, we will be exploring different corporate structures that might best facilitate our organizational and mission goals. Chris will be leading this work.

Board Meeting Length: At the November Board meeting we briefly discussed increasing the length of our meetings to two hours to better facilitate conversations about important strategic issues without adding more items to the agenda. The Executive Committee discussed and recommends moving forward with this change, starting Board meetings one-half hour sooner (5:30 PM) and ending at 7:30 PM.

Executive Committee and Governance (continued)

Board Development: Michael Malone has indicated his desire to roll off the Board after eleven years of service. As noted last month, staff recommended filling Mr. Malone's seat with Hunters Capital Principal and COO Jill Cronauer. We have worked with Jill for many years. She chaired the Capitol Hill Chamber of Commerce and is very active in Capitol Hill business community. Among other aspects of their business, Jill oversees the commercial/retail aspect of their multifamily operations and will bring a very relevant skill-set to our Board. The Executive Committee has reviewed Jill's interest and will recommend that she be elected to the Board in January pending her attendance at the December Board meeting and meeting with the Board chair.

Neighborhood Preference: Chris has made three presentations to the Board about using neighborhood preferences in our leasing process at new developments as a means to set some priority for individuals and families who have been displaced from their neighborhoods. Working with the Yesler Community Collaborative, we have contracted with Relman, Dane & Colfax, a law firm based in Washington DC, to craft a policy that CHH could adopt and which could then provide a template for other developments in our pipeline, for other communities, and for the City as a whole to contemplate for future adoption. Representatives from Relman, Dane & Colfax presented at last month's Board meeting their opinion letter and a draft policy statement. Attached to the Board packet is Resolution 2018-25: Neighborhood Preference which the Board will be asked to adopt at the December meeting.

Pipeline Review and Project Introductions

Review of Northgate, Bonanza and Yelser: Jeremy will update the Board on these three projects in advance of adopting the following resolutions.

Resolution 2018-26: Bonanza Bond Inducement: The Board has adopted two resolutions supporting the resyndication and redevelopment of three properties in the CHH portfolio: the Ponderosa, El-Nor and 18th Avenue Apartments together known as the Bonanza. Resolution 2017-03 provided for the expenditure of predevelopment financing and Resolution 2018-05 provided for entity formation. At the December meeting, the Board will be asked to approve (and CHH is required to adopt under US Treasury regulations) a resolution indicating our intent to issue and sell bonds to support the development of the project and reimburse ourselves for project costs incurred before the issuance of the bonds. This bond inducement resolution is a standard resolution adopted every time we issue bonds and is prepared by legal counsel.

Resolution 2018-27: Yesler Predevelopment Resolution: The Board previously adopted Resolution 2018-15 Yesler Redevelopment RFP: Developer Selection, Funding Application authorizing the CEO to collaborate with SCIDPDA, and prepare a funding and development proposal in response to the RFP issued by the Seattle Housing Authority to develop the former King County records retention site. CHH and SCIDPDA was awarded the project. At the December Board meeting, the Board will be asked to adopt Resolution 2018-27 Yesler Predevelopment which will authorize the expenditure of predevelopment funds and take all steps necessary to move the project forward.

Other

Working Outside Capitol Hill Resolutions: Included in the consent agenda is a copy of Resolution 2016-15, allowing CHH to work outside the Capitol Hill Community with Board concurrence but without a separate resolution if the project fits within the set parameters and align with the goals and values of the organization. This Resolution will be renewed at the January 2019 meeting, to continue to allow work outside of Capitol Hill.

Board Packet Sections

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Upcoming Meetings and Events

Please let Chris or Sarah know if you'd like additional information on any event or meeting.

January 7	CHH Executive Committee
January 14	CHH Board Meeting – Sustainability Team Report, Foundation Check Presentation, Public Policy Agenda
January 29	CHH Executive Committee
February 11	CHH Board Meeting – Asset Management Report, Annual CEO Review



SECTION 2:

Board Agenda

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AGENDA

- 6:00 Call to Order (Schwartz) – 5 min total**
1. Introductions, welcome Sec. 3, Page 13
- 6:05 Board Development (Schwartz) – 5 min total**
1. Resignation of Selomé Teshome Sec. 4, Page 17
 2. Final consideration and election of Rachael Steward to the Board Sec. 5, Page 21
- 6:10 Consent Agenda and Beginning Items (Schwartz) – 5 min total**
1. Approve consent agenda Sec. 11, Page 73
 2. Disclosures and recusals
 3. Mission moment
- 6:15 Public Comment (Not to exceed 5 minutes per individual or 15 for combined speakers)**
- 6:20 Presentation and Discussion (Thomas) – 20 min total**
1. Resident Services Annual Presentation Presentation
- 6:40 Finance and Asset Management (Alvarado, Gibson) – 15 min total**
1. Finance Report – 5 mins
 - a. Financial summary, cash management report:
October 2018 Financial Statements Sec. 6, Page 25
 2. 2019 Budget Draft – 10 mins Handout
- 6:55 Executive Committee and Governance – 15 min total**
1. Branding Update (Seiwerath) – 5 mins Sec. 7, Page 37
 2. Length of Board Meetings (Persons, Shoemake) – 5 mins
 3. Resolution 2018-25: Neighborhood Preference (Persons) – 5 mins Sec. 8, Page 41
- 7:10 Pipeline Review and Project Introductions (Wilkening) – 15 min total**
1. Review of Northgate , Yesler and Bonanza– 5 mins
 2. Resolution 2018-26: Bonanza Bond Inducement – 5 mins Sec. 9, Page 57
 3. Resolution 2018-27: Yesler Predevelopment – 5 mins Sec. 10, Page 67
Might be taken in Executive Session per RCW 42.30.110(b), to consider the acquisition of real estate when public knowledge of such consideration would cause a likelihood of increased price.
- 7:25 Property Management (Persons, Watson) – 5 mins total**
1. Update on Property Management Items Presentation
- 7:30 Adjourn (Schwartz)**

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SECTION 3:
Board Candidate
Biography:
Jill Cronauer

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CHH Board Member Candidate – December 2018

Jill Cronauer - COO | Designated Broker - Hunters Capital



Jill Cronauer is the Chief Operating Officer and designated broker for Hunters Capital. She is responsible for property acquisitions, marketing, leasing, public relations and overall business operations. Since joining the Hunters Capital team in 2008, Jill has grown Hunters' managed square feet from 160,000 to nearly 600,000 square feet in Seattle's Capitol Hill and First Hill neighborhoods.

Jill is dedicated to Hunters Capital's mission of preserving architectural integrity and Seattle's historic legacy by restoring and refurbishing turn-of-the-century buildings and finding creative and innovative retail and office tenants who serve the neighborhood. Also representing Hunters Capital in local community affairs, she served as President and Chairperson of the Capitol Hill Chamber of Commerce.

An honors graduate from Gonzaga University, Jill comes from a family of entrepreneurs with a history in commercial real estate in Washington and Alberta, Canada. Jill, her husband Ben and their children Henry and Cora live in the Arboretum neighborhood of Seattle. They enjoy spending time with family in the San Juan Islands and Hood Canal.

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SECTION 4:
Board Member
Resignation:
Selomé Teshome

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-----Original Message-----

From: Selome Teshome <selome.t@gmail.com>

Sent: Monday, December 03, 2018 10:42 AM

To: Chris Persons <CPersons@capitolhillhousing.org>

Subject: CHH Board

Hi Chris,

It has been an honor to work with the Capitol Hill Housing board. Due to personal and family time conflicts, I will be resigning from the board effective December 1st, 2018.

While I can no longer serve in a board capacity, I will continue to support the vision and mission of CHH. Keep up the great work!

Best,

Selome Teshome

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SECTION 5:
Board Candidate
Biography:
Rachael Steward

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CHH Board Member Candidate – December 2018

Rachael Steward - Administrator - Community Service Division at Seattle Housing Authority



Rachael is the former Deputy Director at the Center for Community Engagement at Seattle University, where she worked for eight years. She joined the CHH Community Development Committee in December 2016 as a non-Board community representative. She has an MPA in Non-Profit and Community Development from Kentucky State University, as well as a certificate in Executive Leadership from Seattle University. Rachael is active in the Central District.

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SECTION 6:
December 2018
Finance Report,
October Statements
and
Asset Management Report

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DECEMBER 2018 FINANCE & ASSET MANAGEMENT BOARD REPORT AND MINUTES

Finance & Asset Management Committee Members: Drew Porter, Frank Alvarado, Chasten Fulbright

Staff Liaisons to the Board: Brad Lange, Greg Gibson (**BOLD** indicates those members in attendance)

Date, time and location of meeting: Tuesday December 4, 2018 4-5:30 pm Malden conference room

Financial Position Summary (June financial statements): During October, unrestricted cash had a series of large inflows and outflows, which resulted in no change to the overall balance. The Station House development closed on permanent financing on October 24th, which allowed CHH to repay the \$200K that was outstanding on the Banner operating line of credit. As part of closing, the predevelopment debt on CHH's books was repaid in full. The new permanent debt is maintained on the books of CH TOD LLC, which is now classified as a discrete component unit that does not roll up into the CHH blended financial statements. The remaining fluctuations on the balance sheet were the result of routine monthly transactions and continued predevelopment spending, largely on Jazz House as well as the Bonanza and CHP1 syndication/re-syndication projects.

The operating statement through the first ten months of the year shows an operating surplus that exceeds budget by approximately \$120,000. This is driven by expenses, which are currently \$346,000 under budget. Expenses continue to be under budget due to decreased office remodel costs and budget to actual differences for general repair and maintenance costs across the portfolio. Payroll expense is also under budget year-to-date because of changes in anticipated start dates for new positions as well as timing of the Organizations annual merit increase relative to the budget. The organization has also experienced increased turnover in recent months, which has led to several vacant positions. On the revenue side, CHH continues to be under budget on grants and donation revenue as well as developer fees due to the slide of the Bonanza closing into Q1 of 2019.

Financial Review: The committee reviewed the monthly financial reports and the monthly financial ratio analysis. The rolling twelve-month cash forecast was also reviewed. Comments and Analysis regarding the September Balance Sheet and Operating Statement are included as annotations in the attached statements. As part of the cash flow review, the committee also reviewed anticipated predevelopment spending projections.

The committee reviewed the Property Management dashboard report

Vacancy loss: The monthly portfolio vacancy rate was 4.7% with a year-to-date percentage of 3.2%. The rolling 12-month vacancy percentage for the portfolio is 2.9%. Staff are aware of the continued uptick in vacancy percentage year-to-date and are actively working to address the issues within Property Management.

Finance Policy Update: Staff updated the committee on the approval process for the Finance Policies presented at the May meeting. While CHH is continuing to revisit the current procurement policy, staff have included the draft policies that were reviewed at the May meeting in this month's consent agenda to be approved by the board.

State Audit Update: Staff provided an update on the annual accountability audit performed by the State Auditor's Office (SAO). The SAO exit meeting was held on 11/29/2018 at the CHH office. No issues were identified based on current year testing and the prior year management letter comment was considered resolved.

Asset Management Update: Staff gave an update on the progress of the Portfolio Action Team, the potential reposition of the Park Hill and the ongoing investigation at the Berneva Apartments.

Budget Review: The committee reviewed a draft of the 2019 budget, which included a high-level review of all property budgets and all significant assumptions currently included in the budget. Staff also provided an update on the 2019 budget timeline including the need for a continuing resolution to be passed at the December board meeting.

General Building Reserve: Staff reviewed the list of proposed sources and uses for establishment of the Organization's general building reserve. A formal policy will be drafted and presented to the FAMC at the December meeting.

Integratec Demo: Lisa Hagen, Asset Manager provided the Committee with a demo of Integratec, the new asset management software currently being implemented across CHH.

2019 FAMC Calendar: The committee reviewed the dates for the 2019 Finance Committee meetings and recommended updates. Staff will bring a revised calendar to the board meeting on 12/10.

Capitol Hill Housing Blended Balance Sheet

	10.31.2018 unaudited	09.30.2018 unaudited	Change from prior month	12.31.2017 audited*	12.31.2016 audited*
Assets					
Unrestricted Cash	2,004,709	2,007,342	(2,633) 1	2,037,757	1,549,568
Accounts Receivable	917,824	874,458	43,366 2	811,476	605,408
Prepays & Other Current Assets	355,277	386,865	(31,588) 3	341,351	145,836
Contributions/Grants Receivable	60,000	60,000	0	61,282	71,138
Due from Affiliates	4,767,687	5,913,473	(1,145,786) 4	5,193,026	5,591,990
Board Designated Operating Reserve	1,000,000	1,000,000	0	1,000,000	1,000,000
Board Designated Opportunity Reserve	240,100	337,748	(97,648) 5	567,083	651,507
Restricted Cash	6,489,498	6,373,409	116,089 6	6,135,901	5,605,330
Notes Receivable from Affiliates	15,322,710	15,322,710	0	15,322,710	15,411,829
Land	22,794,157	22,794,157	0	20,394,157	14,643,757
Buildings, Improvements & Equipment	74,526,544	74,435,105	91,439 7	74,146,986	72,923,292
Accumulated Depreciation	(41,160,261)	(40,975,063)	(185,198) 8	(39,304,834)	(37,093,003)
Lease Receivable	817,531	817,531	0	817,531	890,908
Investment in LPs/LLCs	1,513,091	1,513,091	0	1,527,084	1,534,145
Other Assets	(2,636)	(5)	(2,631)	(5)	0
Total Assets	89,646,231	90,860,821	(1,214,590)	89,051,505	83,531,705
Liabilities					
Notes Payable	60,865,082	62,075,826	(1,210,744) 4	58,479,561	52,278,219
Accrued Interest Payable	4,385,715	4,385,715	0	4,385,715	4,406,834
Accounts Payable & Accrued Liabilities	4,674,729	4,723,226	(48,497) 9	4,956,384	4,859,505
Tenant Security Deposit Liability	563,551	572,127	(8,576)	579,612	562,478
Total Liabilities	70,489,077	71,756,894	(1,267,817)	68,401,272	62,107,036
Net Position	19,157,154	19,103,927	53,227	20,650,233	21,424,669
Total Liabilities and Net Assets	89,646,231	90,860,821	(1,214,590)	89,051,505	83,531,705

* Internal presentation, certain amounts netted for audit presentation

Significant balance sheet changes from prior month

- 1) There were three large cash inflows during the month of October. 1. The Station House development project closed on permanent financing on 10/25/2018, which generated a cash developer fee to CHH of ~\$325K. 2. The Foundation distributed \$100K toward its Q3 distribution to the PDA. 3. \$100K was transferred from board designated reserves early in the month to cover predevelopment costs through the closing of Station House. These inflows were offset by the following transactions: 1. \$206K was used to repay the outstanding balance on the Banner operating line of credit. 2. Bi-annual property tax payments of \$44K. 3. Annual transfer to operating reserves for CHH owned buildings of \$105K. 4. ~\$100K in predevelopment expenses for various projects.
- 2) Increase is due to Q.3 NNN billing
- 3) Decrease due to amortization of monthly pre-paid expenses
- 4) Change primarily due to the closing of the Station House project. When the project closed on permanent financing, the predevelopment debt and corresponding intercompany receivables were repaid in full. The new entity is now classified as a discrete component unit whose debt is no longer reflected in the blended financial statement above. In addition, additional predevelopment expense was incurred on Jazz house as well as the Bonanza, and CHP Portfolio 1 resyndication projects.
- 5) See #1 above, \$100K transferred from Board Designated Operating Reserves.
- 6) Transferred 2017 operating reserve surplus of \$105K to restricted reserves (see#1)
- 7) Capitalization of additional predevelopment expenditures for Eldridge, Goodwill and Jazz house as well as the Bonanza and CH Portfolio 1 syndication/resyndication projects. Additional construction costs for HVAC upgrade at EJSH were also capitalized.
- 8) Routine monthly depreciation expense
- 9) Routine fluctuation in accrued payable balances based on timing of payroll and accounts payable check run relative to month-end as well as fluctuations in intercompany "Due to CHH" balance that results from the recording of additional predevelopment expenses for those projects still included as blended component units.

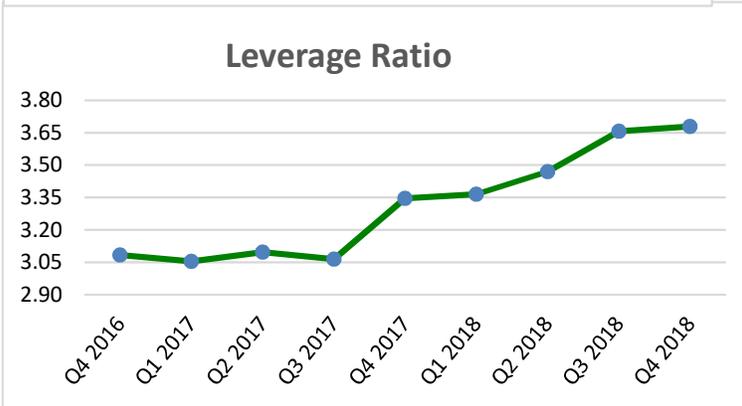
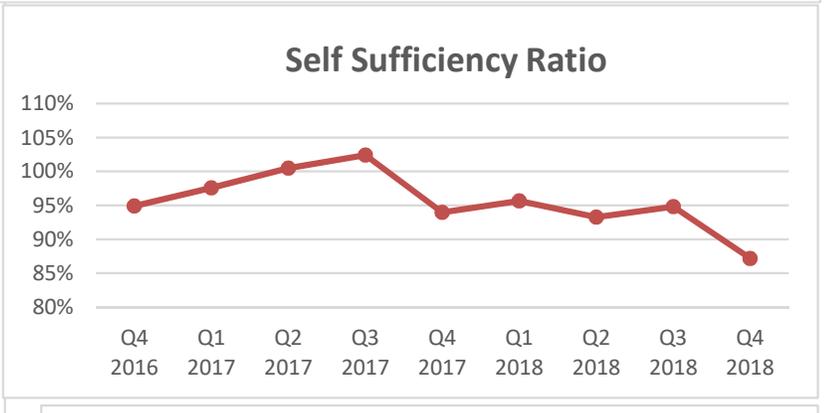
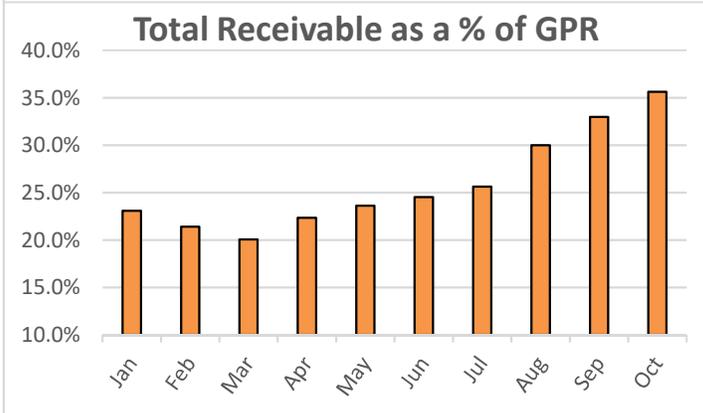
Capitol Hill Housing Improvement Program
Statement of Revenues and Expenditures - Unaudited
From 1/1/2018 Through 10/31/2018

	Year to Date Actual	Year to Date Budget	Year to Date Budget Variance	Variance Pct	Total Budget	Budget Remaining
Revenue						
Tenant Rent						
Residential tenant revenue	8,216,197	8,204,840	11,357	0.14%	9,845,808	1,629,611
Commercial rent and NNN	1,670,688	1,549,997	120,691 1	7.79%	1,873,845	203,157
Parking, laundry and other	181,191	171,280	9,911	5.79%	205,606	24,415
Res vacancy and concessions	(270,159)	(272,155)	1,996	-0.73%	(323,646)	(53,487)
Total Tenant Rent	9,797,917	9,653,962	143,955	1.49%	11,601,613	1,803,696
Other Operating Revenue						
Property Management Fees	1,308,821	1,327,876	(19,055)	-1.43%	1,593,451	284,630
Partnership Management Fees	412,203	392,604	19,599	4.99%	610,180	197,977
Development Fees	519,140	706,000	(186,860) 2	-26.47%	706,000	186,860
Acctg, Leasing & Compliance Fees	734,861	730,357	4,504	0.62%	876,428	141,567
Other Operating Revenue	0	55,148	(55,148) 3	-100.00%	67,798	67,798
Total Other Operating Revenue	2,975,025	3,211,985	(236,960)	-7.38%	3,853,857	878,832
Other Revenue						
Grants & Donations	523,524	673,374	(149,850) 4	-22.25%	882,570	359,046
Interest Income	144,647	136,720	7,927	5.80%	180,710	36,063
Other Income (non-operating)	30,478	16,700	13,778	82.50%	17,100	(13,378)
Total Other Revenue	698,649	826,794	(128,145)	77.12%	1,080,380	381,731
Total Revenue	13,471,591	13,692,741	(221,150)	-1.62%	16,535,850	3,064,259
Expenses						
Accounting, Audit & Legal	473,612	433,919	(39,693) 5	-9.15%	517,518	43,906
Administrative Expenses	359,020	420,511	61,491 6	14.62%	483,991	124,971
Bad Debts	19,020	0	(19,020) 7	100.00%	0	(19,020)
Board Expense	3,924	5,583	1,659	29.72%	6,700	2,776
CHH Occupancy Expense	280,782	281,423	641	0.23%	343,690	62,908
Compliance, Taxes & License	287,615	216,155	(71,460) 8	-33.06%	220,639	(66,976)
Consulting	177,421	196,686	19,265	9.79%	227,603	50,182
Debt Service	2,186,099	2,230,107	44,008	1.97%	2,642,878	456,779
Insurance	258,757	257,642	(1,115)	-0.43%	309,171	50,414
Leasing/Compliance Expense	206,120	206,120	0	0.00%	247,344	41,224
Miscellaneous Financial Expense	16,109	14,793	(1,316)	0.00%	16,043	(66)
Other Operating Expense	17,880	890	(16,990)	-1908.99%	2,390	(15,490)
Payroll, Taxes and Benefits	5,496,900	5,610,520	113,620 9	2.03%	6,732,624	1,235,724
Partnership Mgmt Fee Expense	123,453	110,153	(13,300)	-12.07%	138,812	15,359
Property Mgmt Fee Expense	902,212	902,212	0	0.00%	1,142,655	240,443
Repair and Maintenance	1,109,971	1,363,571	253,600 10	18.60%	1,613,862	503,891
Technology	124,964	198,455	73,491 11	37.03%	230,093	105,129
Training, Dues, Subscriptions	119,550	123,820	4,270	3.45%	150,480	30,930
Utilities	1,192,053	1,129,001	(63,052) 12	-5.58%	1,362,165	170,112
Total Expenses	13,355,461	13,701,561	346,100	2.53%	16,388,658	3,033,197
Operating Surplus (Deficit) B4 Reserves	116,130	(8,820)	124,950	-1416.67%	147,192	
Reserve Contributions						
Replacement Reserve	(414,383)	(412,045)	(2,338)	0.57%	(492,311)	(77,928)
Operating Reserve	(37,237)	(36,320)	(917)	2.52%	(43,084)	(5,847)
Other Reserve	(28,687)	(28,687)	0	0.00%	(34,424)	(5,737)
Total Reserve Contributions	(480,307)	(477,052)	(3,255)	0.68%	(569,819)	(89,512)
Operating Surplus (Deficit)	(364,177)	(485,872)	121,695	-25.05%	(422,627)	
Other Income (non-operating)	545,000	545,000		0.00%	545,000	
Income/Loss	180,823	59,128	121,695	-25.05%	122,373	See note

Variance Discussion (Greater than \$20K and 5%)

- Note** Original board approved budget assumed CHH would retain ownership of the Harvey in January, 2017. Subsequent to budget finalization, it was determined that CHH would no longer be pursuing an ownership strategy. As such, the operating results and budget totals for the Harvey are not included in the above report. This amount plus a \$7K budget adjustment posted subsequent to board approval, to reallocate rent credits, represents the difference between the final board approved budget and the total budget column above.
- 1) Q.3 NNN was accrued: Timing differences related to triple net (NNN) revenues for Twelfth Avenue Arts Master tenant. NNN revenues at this building is only paid annually in Q1 for one tenant, but were budgeted evenly throughout the year. In addition, revenues have also exceeded budget due to significant increases in property tax and utility costs that are billed back to tenants.
 - 2) \$324K for developer fee for Station house was received but only \$176k was originally budgeted in May. The fee exceeded the budget by approximately \$148K. Remaining variance is from \$300K for Bonanza developer fee was budgeted in August. Projected timing for close is now anticipated to be Q1 of 2019; however, projected fee is now estimated to be approximately \$500K.
 - 3) Lease income/partnership & MSP vehicle recovery- all represent quarterly distributions/payments that have not been made yet. This is a timing difference in relation to the budget.
 - 4) Foundation distributions year to date are under budget as reimbursement for two reasons: 1. Reimbursement the capital campaign coordinator position has not yet occurred (likely will not occur in 2018) 2. Q3 distribution was broke up into two separate payments. \$90K will be reflected in the November financial statements.
In addition, the grants & contributions line item above is net of related party grants made to CHH buildings. The Brewster SCL concessions to tenants is recorded in this manner. Grant revenue from SCL was recorded in the prior year and concessions are recorded monthly. Due to excess funding, these continued beyond the originally budgeted date.
 - 5) Audit fees are over total budget by \$24K. This is partially due to engagement of CPA firm to convert K-1's from GAAP basis to tax basis. Legal fees have also exceeded budget
 - 6) Administrative costs are under budget as a result of the office expansion in early 2018. Office expansion costs were under budget by approximately \$15K in total, plus \$28K of work was completed prior to year-end and is therefore reflected in the December 2017 financials.
 - 7) No budget allocated for bad debt - this was an error in the budget process
 - 8) Property taxes are over budget due to increases above projections for 2018.
 - 9) Budget assumes annual merit increase was in effect for the full fiscal year; however, adjustments were not effective until February. In addition, the Community Liaison position was budgeted to begin in January; however, hiring did not occur until the end of March. Finally, payroll expense for June and July was under budget due to a high number of vacant positions.
 - 10) Repair and maintenance expense is under budget due to decreased vacancy and low turnover in most of the buildings. While the budget process attempts to account for seasonality, there may also still be fluctuations in the timing of certain repairs as compared to the budget. Staff are working through a revised budget process for 2019 to try and better refine R&M budgets.
 - 11) Technology costs continue to be under budget due to the delay in implementation of Concur invoice (completed mid-September). In addition, the March budget also included \$10k for SharePoint and website development costs which have not yet occurred.
 - 12) Sewer and garbage/recycling expenses are both over budget year-to-date. Difference appears to related to rate increases in excess of budget projections. The 2018 budget included a 3.2% increase for both categories while rates appear to have increased 4.1% and 7.2% for sewer and garbage, respectively.

Ratio Analysis



Calculations

CHHIP Operating Cash Balance: CHH main operating account balance at month end - prior 3 years

Receivable as a % of GPR: Measures how effective the Organization is at collecting rent charged to tenants

Calculation: Month end balance of tenant receivables accounts by site / total monthly gross potential rent

Target: CHH is still working to establish benchmarks for different receivable types

Self Sufficiency Ratio: Measures the Organization's ability to cover operating expenses with operating revenues

Calculation: Total operating expenses / total operating revenue less developer fees (grant income = prior 12 month avg)

Target: 100% = Operating revenues are sufficient to cover operating expenses

Days Operating Cash: Measures the cash on hand to cover operating expenses based on current spend rate

Calculation: Month end operating cash balance / Avg expense per day (prior 3 months)

Target: 2 months operating cash on hand

Leverage Ratio: Measures the ratio of assets funded through debt relative to other sources (operating/grants etc)

Calculation: Total liabilities at month end / end of month net position

Target: 2.5 - 4: 4.0 maximum ratio

CCH
CASH IN BANK
FOR THE MONTH ENDING: Oct 2018

Bank	CHH Blended Component Unit	Type	Balance
Chase	Larned	Reserves	113,958
Chase	412	Reserves	90,688
		Total Chase	204,646
KeyBank	Capitol Hill Housing	Security Deposit	278,512
KeyBank	Capitol Hill Housing - SoundFamilies	Restricted Savings	24,044
KeyBank	Hazel Plaza	Reserves	190,775
KeyBank	Hazel Plaza	Security Deposit	3,494
KeyBank	Larned	Security Deposit	21,802
KeyBank	Byron Wetmore	Reserves	52,804
KeyBank	Byron Wetmore	Security Deposit	9,317
Key Bank	412	Security Deposit	3,334
KeyBank	Holden Vista	Reserves	56,183
KeyBank	Holden Vista	Security Deposit	3,640
KeyBank	Mary Ruth Manor	Reserves	271,339
KeyBank	Mary Ruth Manor	Security Deposit	5,599
KeyBank	EJSH	Security Deposit	11,347
KeyBank	Fleming Apts LP	Security Deposit	23,496
KeyBank	Gilman Court LP	Reserves	112,239
KeyBank	Gilman Court LP	Security Deposit	20,245
KeyBank	Villa Apts LP	Reserves	180,278
KeyBank	Villa Apts LP	Security Deposit	44,282
KeyBank	El Nor LP	Security Deposit	9,492
KeyBank	El Nor LP	Reserve	565,232
KeyBank	El Nor LP	Capital Reserves	184,380
KeyBank	18th Ave Apartments	Security Deposit	2,010
KeyBank	Harrison	Security Deposit	20,071
KeyBank	Ponderosa	Reserves	479,806
KeyBank	Ponderosa	Security Deposit	3,294
KeyBank	12th Avenue Arts Master Tenant LLC	Security Deposit	65,548
KeyBank	12th Avenue Arts Master Tenant LLC	Reserves	10,686
Key Bank	Union James	Security Deposit	5,964
Key Bank	Union James	Reserves	84,310
Key Bank	Lake City	Security Deposit	6,395
		Total KeyBank	2,749,916
Banner	Berneva	Reserves	12,486
Banner	Seneca	Reserves	238,742
Banner	Seneca	Security Deposit	20,911
		Total Banner	272,139
LGIP	Capitol Hill Housing	Reserves	2,738,090
		Total LGIP	2,738,090
Oppenheimer	EJSH	Escrow	17,206
Oppenheimer	EJSH	Reserves	114,104
		Total Oppenheimer	131,310
Chase	Harrison	Reserves	161,751
		Total Chase	161,751
US Bank	18th Ave Apartments	Reserves	147,554
		Total USBank	147,554
BofA	Fleming Apts LP	Reserves	84,093
		Total BofA	84,093
		Total Restricted - CHH Blended Components	6,489,498
LGIP	Capitol Hill Housing	Board Designated Reserves	1,240,100
		Total Designated	1,240,100
UnionBank	Capitol Hill Housing	EQII	2,339
		Total Union Bank	2,339
KeyBank	Capitol Hill Housing	EQII	(217,548)
		Total KeyBank	(217,548)
HPN	Capitol Hill Housing	HPN	219,660
		Total HPN	219,660
KeyBank	Capitol Hill Housing	Payroll	-
KeyBank	Capitol Hill Housing	Operating Checking	184,781
KeyBank	Capitol Hill Dev. Assoc	Operating Checking	1,265
KeyBank	Capitol Hill Real Estate Mgmt Services	Operating Checking	21,413
KeyBank	Cash-Restricted	Operating Checking	241,502
KeyBank	Hazel Plaza	Operating Checking	166,499
KeyBank	Larned	Operating Checking	169,350
KeyBank	Byron Wetmore	Operating Checking	12,847
KeyBank	412	Operating Checking	49,918
Banner Bank	412 Construction	Construction	1,411
KeyBank	Holden Vista	Operating Checking	45,135
KeyBank	Mary Ruth Manor	Operating Checking	173,374
KeyBank	EJSH	Operating Checking	14,575
KeyBank	Fleming Apts LP	Operating Checking	27,460
KeyBank	Gilman Court LP	Operating Checking	37,936
KeyBank	Villa Apts LP	Operating Checking	132,272
KeyBank	El Nor LP	Operating Checking	147,091
KeyBank	18th Ave Apartments	Operating Checking	6,312
KeyBank	Harrison	Operating Checking	91,901
KeyBank	Ponderosa	Operating Checking	23,121
KeyBank	12th Ave Arts Development	Operating Checking	86,830
KeyBank	12AA Master Tenant LLC	Operating Checking	68,189
KeyBank	Union James	Operating Checking	21,504
KeyBank	Lake City	Operating Checking	6,787

**CHH
CASH IN BANK
FOR THE MONTH ENDING: Oct 2018**

KeyBank	Africa Town(Mid-town)	Operating Checking	29,949
		Total KeyBank	1,761,423
Cash	Various	Petty Cash - CHHIP	100
		Total Petty Cash	100
Banner	Berneva	Operating Checking	3,802
Banner	Seneca	Operating Checking	234,932
		Total Banner	238,734
		Total Unrestricted - CHH Blended Components	2,004,709
		Total All Cash - CHH Blended Components	9,734,307

Bank	Discrete Component Unit	Type	Balance
Chase	Oleta	Reserves	181,316
Chase	Woodland Park Ave LLC	Reserves	136,900
Chase	AAA	Security Deposit	5,742
Chase	AAA	Reserves	133,532
		Total Chase	457,490
KeyBank	Broadway & Pine	Reserves	277,822
KeyBank	Broadway & Pine	Security Deposit	22,391
KeyBank	Helen V Apts LLC	Reserves	295,346
KeyBank	Helen V Apts LLC	Security Deposit	8,217
KeyBank	Holiday Apts	Security Deposit	22,313
KeyBank	Jefferson & 12th	Reserves	298,897
KeyBank	Jefferson & 12th	Security Deposit	35,623
KeyBank	Oleta	Security Deposit	22,764
KeyBank	Pantages Apts LLC	Security Deposit	27,282
KeyBank	Silvian	Security Deposit	6,503
KeyBank	SOPI / Unity Village	Reserves	203,886
KeyBank	SOPI / Unity Village	Security Deposit	15,856
KeyBank	Woodland Park Ave LLC	Security Deposit	11,343
KeyBank	12th Avenue Arts Housing	Security Deposit	71,813
KeyBank	12th Avenue Arts Housing	Reserves	668,366
KeyBank	Union & 24th Construction Residential	Construction	(84,675)
KeyBank	Union & 24th Construction Commercial	Construction	132,358
KeyBank	12th Avenue Arts Associates LLC	12AA HEDC Fee Reserve Account	138,301
KeyBank	12th Avenue Arts Associates LLC	12AA Key Fee Reserve Account	178,073
KeyBank	Squire Park Plaza	Security Deposit	57,043
KeyBank	Squire Park Plaza	Reserves	68,467
		Total KeyBank	2,477,988
UnionBank	Holiday	Reserves	204,945
		Total UnionBank	204,945
US Bank	Pantages Apts LLC	Reserves	523,166
US Bank	Silvian	Reserves	532,562
		Total USBank	1,055,728
		Total Restricted - Discrete Components	4,196,150
Chase	AAA	Operating Checking	22,982
		Total Chase	22,982
KeyBank	Oleta	Operating Checking	(6,425)
KeyBank	Helen V Apts LLC	Operating Checking	193,987
KeyBank	Pantages Apts LLC	Operating Checking	12,478
KeyBank	Silvian	Operating Checking	182,775
KeyBank	Broadway & Pine (BX)	Operating Checking	20,602
KeyBank	Woodland Park Ave LLC	Operating Checking	11,262
KeyBank	Holiday Apts	Operating Checking	48,805
KeyBank	SOPI / Unity Village	Operating Checking	35,667
KeyBank	Jefferson & 12th	Construction	241
KeyBank	Jefferson & 12th	Operating Checking	37,387
KeyBank	Twelfth Avenue Arts Res	Operating Checking	161,412
KeyBank	12th Avenue Arts Associates LLC	12AA Commercial Operating (Debt Service)	282,604
KeyBank	Squire Park Plaza	Operating Checking	232,349
		Total KeyBank	1,213,144
		Total Unrestricted - Discrete Components	1,236,126
		Total All Cash - Discrete Components	5,432,276
		Total All Cash - CHH Blended Components	9,734,307
		Total All Cash	15,166,583

TOTALS BY BANK		
Key Bank	\$	8,202,470
Chase	\$	629,321
Banner	\$	510,872
US Bank	\$	1,203,282
Union Bank	\$	207,283
Bank of America	\$	84,093
Beneficial State bank	\$	-
LGIP	\$	3,978,190
Other and Petty	\$	351,070
TOTAL CASH	\$	15,166,583

Blended Component Units:	Portfolio Manager	Unit Count			YTD 2018 Income Per Unit			YTD 2018 Op expenses B4 Debt Cost Per Unit			12-Month Rolling Avg.		2018 YTD Cash Flow after debt and reserves						
		Affordable	Market	Total	Actual	Budget	Var %	Actual	Budget	Var %	Make Ready	Total Turn Time	Oct. 2018 Monthly	12 MO Rolling	2018 YTD	2017 Vacancy	Actual	Budget	Variance
Berneva	Nelda	12		12	7,934	7,795	2%	6,930	6,620	-5%	45	47	0.0%	1.0%	0.9%	1.4%	976	3,010	(2,034)
Boylston Howell	Colby	30		30	9,448	9,467	0%	6,966	7,322	5%	13	51	0.0%	0.7%	0.8%	0.8%	8,195	(1,902)	10,097
Bremer	Colby	49		49	7,426	7,663	-3%	4,793	4,875	2%	27	120	4.1%	5.4%	6.1%	2.6%	46,539	44,904	1,634
Brewster	Colby	35		35	7,575	7,054	7%	4,838	5,453	11%	14	117	6.3%	2.9%	2.9%	6.8%	46,993	7,222	39,770
Broadway	Nelda	3	2	5	11,262	10,764	5%	6,157	6,721	8%			0.0%	-0.1%	0.0%	0.2%	13,773	8,464	5,309
Burke Gilman Gardens	Skye	15		15	10,503	10,524	0%	7,751	7,644	-1%	13	122	7.3%	4.5%	5.4%	0.7%	12,007	13,941	(1,934)
Byron Wetmore	Colby	12		12	9,541	9,624	-1%	8,598	8,641	0%			0.0%	0.0%	0.0%	1.1%	379	860	(481)
Casa di Cinque	Skye	3	2	5	13,869	13,473	3%	6,429	7,786	17%			0.0%	0.0%	0.0%	0.0%	24,181	12,640	11,541
Centennial	Colby	21	9	30	9,924	10,076	-2%	4,760	5,076	6%	14	52	25.2%	5.1%	6.0%	2.7%	49,938	45,132	4,806
Devonshire	Asia	62		62	7,884	7,940	-1%	5,789	5,634	-3%	12	60	1.0%	2.4%	2.8%	2.3%	36,191	49,294	(13,103)
Eighteenth Avenue	Valencia	9		9	10,664	11,282	-5%	7,158	6,850	-4%	176	242	0.0%	7.7%	6.9%	2.5%	(12,804)	(4,468)	(8,336)
El Nor	Asia	55		55	8,904	8,932	0%	6,640	6,552	-1%	19	71	2.4%	1.8%	2.1%	2.8%	23,989	18,009	5,979
Elizabeth James	Nelda	60		60	8,618	8,551	1%	5,926	6,000	1%	24	66	3.3%	2.3%	2.6%	1.5%	33,584	11,207	22,377
Fleming	Colby	36		36	7,750	7,862	-1%	5,300	4,662	-14%	16	55	4.1%	3.3%	3.7%	0.3%	6,363	33,357	(26,994)
Four Ten	Nelda	6		6	7,821	7,839	0%	6,191	5,748	-8%	15	62	16.9%	2.7%	3.4%	1.8%	1,447	4,215	(2,768)
Four Twelve	Colby	12		12	12,921	12,895	0%	8,689	9,643	10%	76	91	16.8%	2.8%	3.4%	0.6%	24,969	7,776	17,194
Fredonia	Skye	7	5	12	21,922	22,091	-1%	#####	#####	7%	8	48	0.0%	1.8%	2.1%	2.0%	51,005	41,163	9,843
Gilman Court	Skye	25		25	10,933	10,692	2%	7,719	8,725	12%	10	51	0.0%	0.6%	0.0%	1.1%	47,605	16,440	31,164
Harrison at 15th	Nelda	19		19	17,486	16,239	8%	9,250	9,159	-1%			0.0%	0.1%	0.0%	0.1%	48,137	26,965	21,172
Hazel Plaza	Nelda	16		16	21,003	21,243	-1%	7,025	8,305	15%			19.3%	1.6%	1.9%	0.2%	104,567	90,075	14,493
Helen V	Skye	38		38	15,206	15,156	0%	6,604	6,630	0%	30	69	1.3%	4.5%	4.5%	3.7%	191,136	188,276	2,860
Holden Vista	Asia	16		16	12,463	12,017	4%	8,087	8,964	10%	30	171	0.0%	3.1%	2.9%	5.5%	48,205	27,059	21,145
Joe Black Apartments	Colby	24		24	10,455	11,287	-7%	9,451	9,148	-3%	128	191	17.4%	9.4%	11.2%	1.7%	(11,385)	17,735	(29,120)
John Carney	Colby	27		27	7,225	7,071	2%	4,695	5,460	14%	20	68	0.1%	0.6%	0.7%	1.4%	33,647	8,919	24,728
Larned	Colby	33		33	8,746	8,687	1%	5,685	6,007	5%	25	49	1.4%	1.7%	1.7%	1.9%	82,731	70,162	12,569
Lincoln Court	Nelda	29		29	8,400	8,462	-1%	5,237	5,325	2%	0	91	3.9%	1.8%	2.0%	2.3%	(1,470)	(2,201)	731
Mary Ruth Manor	Nelda	20		20	20,114	19,872	1%	7,722	8,807	12%		93	7.7%	3.9%	3.9%	3.6%	93,432	66,895	26,537
Maxwell	Nelda	4		4	9,714	9,473	3%	5,503	6,917	20%			0.0%	-0.1%	0.0%	0.4%	11,775	5,156	6,618
Melrose	Asia	30		30	7,560	7,577	0%	5,323	5,875	9%	11	56	0.0%	3.2%	3.5%	1.8%	35,210	19,158	16,053
Miller Park	Skye	12		12	10,262	10,099	2%	6,851	7,231	5%	11	55	6.7%	1.3%	1.5%	1.6%	13,565	7,047	6,518
Oleta	Colby	34		34	7,616	7,928	-4%	5,442	4,907	-11%	29	71	14.9%	6.2%	6.4%	3.4%	(28,817)	12,650	(41,467)
Park Hill	Skye	20	10	30	12,416	12,027	3%	7,220	8,152	11%	14	60	3.9%	1.0%	1.8%	3.8%	102,696	63,067	39,630
Ponderosa	Valencia	23		23	7,654	7,678	0%	6,170	6,100	-1%			7.4%	2.4%	2.9%	0.1%	22,056	24,238	(2,182)
Seneca	Nelda	32		32	8,920	9,111	-2%	6,241	6,755	8%	67	96	3.0%	0.8%	1.0%	0.2%	26,576	23,693	2,883
Union James	Asia	24		24	11,580	11,395	2%	8,164	7,600	-7%	60	168	0.0%	7.0%	7.4%	6.9%	(8,785)	393	(9,178)
Villa	Asia	62		62	10,091	9,867	2%	6,043	6,003	-1%	17	55	0.8%	1.3%	1.3%	1.4%	41,548	44,954	(3,406)
1,220,155																	1,005,506	214,649	
Discrete Component Units:																			
Broadway Crossing	Colby	44		44	8,569	9,499	#####	6,557	7,083	7%	15	73	3.2%	1.7%	3.0%	1.7%	27,349	45,178	(17,829)
Fremont Solstice	Skye	18		18	9,309	9,585	-3%	6,723	6,733	0%	16	66	0.0%	2.0%	2.3%	0.4%	(5,066)	(280)	(4,786)
Haines AAA	Asia	30		30	9,369	9,480	-1%	5,908	7,005	16%	6	161	3.2%	4.0%	4.6%	3.5%	(14,342)	5,212	(19,555)
Holiday	Skye	30		30	9,752	9,656	1%	5,066	5,133	1%	26	45	0.2%	0.1%	0.5%	1.9%	32,278	27,385	4,893
Jefferson Housing	Asia	40		40	10,830	11,085	-2%	6,920	6,675	-4%	26	85	6.7%	4.6%	4.8%	0.6%	(9,363)	10,656	(20,019)
Pantages	Colby	49		49	8,381	8,749	-4%	7,064	6,219	-14%	50	81	3.7%	2.9%	3.2%	0.8%	(24,118)	36,522	(60,640)
Silvian	Skye	32		32	10,749	9,802	10%	6,600	5,923	-11%	33	93	2.8%	4.3%	5.0%	0.5%	32,855	25,176	7,680
Squire Park Plaza	Valencia	31	29	60	16,695	16,684	0%	7,011	7,076	1%	11	72	3.6%	2.9%	3.1%	4.5%	161,600	157,189	4,411
Twelfth Avenue Arts	Valencia	88		88	9,589	9,462	1%	4,635	4,860	5%	10	27	2.0%	1.2%	1.3%	1.6%	110,709	79,813	30,896
Unity Village	Asia	30		30	8,636	8,375	3%	6,572	6,796	3%	31	138	15.5%	5.7%	5.1%	5.2%	50,980	36,462	14,518
362,880																	423,313	(60,433)	
Portfolio Totals		1307	57	1364	10,216	10,209	0%	6,329	6,471	-2%	26	78	4.7%	2.9%	3.2%	2.3%	1,583,035	1,428,819	154,216

Explanation of select properties with high vacancies or large vacancy increases:

- Brewster - two vacancies in Oct.
- Burke Gilman Gardens - one vacancy in Oct. (2-bdr unit with higher rent)
- Centennial - two vacancies in Oct. Late processing of both Move Outs - roughly 3 months of vacancy posted in Oct. on both units
- Four Ten - one vacancy in Oct.
- Four Twelve - two vacancies in Oct.

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SECTION 7:

CHH Rebrand Overview: Phases II & III

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Capitol Hill Housing Rebrand Overview – Phases II & III

CHH is engaging an expert facilitator for internal equity discussions to be completed in 2018 via the Racial Equity Task Force, a parallel staff-driven effort. Since equity, diversity and inclusion concerns are a critical component of the messaging conversations, some of the work anticipated for the messaging will take place through these staff efforts and can be folded into the Rebranding efforts.

Updated Benchmarks

Corporate Structure Review – separate piece driven by leadership

- Initial step: determine Board approval process on revising corporate structure (Lead: CEO Chris Persons)
- Timing TBD (~1 month): Convene Leadership Task Force for structure review
 - Task Force Members: Chris, Jill, Joel, Michael
 - Identify regular update mechanism for both CHH Boards
 - Determine needs and milestones
 - Include EcoDistrict considerations
- Timing TBD (+2 months over holidays): Finalize recommended vision for corporate structure changes
- Deliverable: CEO corporate structure update at February 2019 Board Meeting

Phase II. Key Messages – engaging consultant for stakeholder input, finalizing key messages

- Rebrand Crosscut Group kicks off and convenes in 2018, folds in equity learnings from Racial Equity Task Force (lead: Yiling Wong, Sr Communications Manager)
 - Crosscut Group Members: Chris Persons (CEO), Michael Seiwerath (VP Advancement & External Affairs), Joel Sisolak (Sr Director Sustainability & Planning), Anthony Jacobs (Site Manager -Tentative), Asia Fahie (Portfolio Manager), Anand Balasubrahmanyam (Foundation Board Member & branding expertise), Cathy Hillenbrand (PDA Board Member & community advocate), Sarah Cubillios (PDA Board Member), Ashley Thomas (Resident Services Manager), Valencia Chambers Manora (Sr Portfolio Manager), Tonya Hoffman (Site Manager).
- Messaging RFP issued Nov. 9th 2018, consultant selected by Dec. 7, 2018.
- Deliverable: Key Messaging complete by mid-March 2019

Phase III. Name, Look & Feel – determining a name based on key messages and designing look & feel

- Issue RFP, Key Messages ~end of Q1 2019 (subject to change based on performance and appropriate skill set of Phase II consultant)
- Renaming Process complete Q2 2019
- Branding Look & Feel complete by Q3 2019
- Deliverables: newly adopted name, creative brief, collateral source documents, style guide

Implementation & Rollout

- Inventory of Updates Needed & Rollout Plan set and going by July 2019
- Website – requirements gathering & priorities identified 2019

	2019	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
ReBranding (Comms Led)		Key Messaging		Name			Look & Feel, Website Design		Rollout				

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SECTION 8:
Resolution 2018-25:
Neighborhood Preference

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CHH Board Resolution 2018-25 Overview: Neighborhood Preference

Purpose: Supporting a future policy to use neighborhood preferences in our leasing process at new developments as a means to set some priority for individuals and families who have been displaced from their neighborhoods. Working with the Yesler Community Collaborative, we have contracted with Relman, Dane & Colfax, a law firm based in Washington DC, to craft a policy that CHH could adopt and which could then provide a template for other developments in our pipeline, for other communities, and for the City as a whole to contemplate for future adoption.

Type of Resolution/Motion:

- **Is this a formal resolution?** Yes No
- **Are we requesting a motion from the floor?** Yes No
- **Has this resolution been presented to a Board Committee?:** Yes No
- **If so, which committee or committees?:** The general language of the resolution has been presented to the Executive Committee and the full Board at the November 2018 meeting of the Board.

Charter or Rules and Regulations Modification:

- **Does this Resolution change the Charter or Rules and Regulations?** Yes No
- *If yes, you need to give notice to the Board 15 days prior to the proposed change.*
- *Changes to the Charter or Rules and Regulations must use the strike out and underline format so change is clear to reader.*

General description and purpose: Authorizes the CEO to establish, with Board concurrence, a Neighborhood Preference policy consistent with legal counsel opinion and recommendation for unit lease-up.

Organizational requirements of resolution: This policy would be considered on a case by case basis in order to counteract the segregative effects of displacement caused by government action.

Financial cost of the resolution: There is no direct cost but there might be an incremental increase in the cost of doing lease-up because of the additional compliance tracking required.

Pros: Is consistent with federal law to create policies that counteract segregation and supports our mission and values.

Cons: Extra time in lease-up process, extra compliance tracking, some possibility that the process become the subject of complaint.

Further Board Action or Reporting:

- **Is further action required from the Board or a Board Committee?** Yes No
If yes, please describe: If the CEO determines that it is in the best interest of the community to create a specific policy then the Board would be asked to vote on that specific policy.
- **Is further reporting required to the Board or a Board Committee?** Yes No
If yes, please describe: Please include here whether full Board or Committee requires reporting, and anticipated dates for reporting.

RESOLUTION No. 2018-25

**ADOPTED AT A MEETING
OF THE BOARD OF DIRECTORS OF
CAPITOL HILL HOUSING IMPROVEMENT PROGRAM,
A WASHINGTON PUBLIC CORPORATION
(Neighborhood Preference Policy)**

Whereas RCW 35.21.730 provides that a city may form a public corporation “in order to improve...the general living conditions in the urban areas of the state...”, and the City of Seattle, Washington (the “**City**”), acting in accordance with RCW 35.21.730, formed Capitol Hill Housing Improvement Program (“**CHHIP**”), a public corporation, for such purposes; and

Whereas the CHHIP Board of Directors in Resolution 2016-15 has authorized and directed the CEO to work outside the Capitol Hill neighborhood consistent with our charter and our community development work currently includes working in the Central Area, International District, White Center and other Seattle neighborhoods and communities, in partnership with local CDCs, PDAs and community based organizations; and

Whereas CHHIP is a Community Based Development Organization under 24 CFR 570.204 of the Community Development Block Grant regulation and has operated as a community development corporation for over 40 years; and

Whereas CHHIP has been working with the Yesler Community Collaborative (“**YCC**”), community organizations, and the City of Seattle to explore and pilot the use of Neighborhood Preference leasing policies intended to combat the segregative effects of displacement in high displacement risk neighborhoods; and

Whereas CHHIP in partnership with the YCC retained the law firm of Relman, Dane & Colfax PLLC to prepare an analysis and make recommendations concerning initial and ongoing tenant selection decisions at two affordable housing developments known as the Liberty Bank Building and Midtown Center/Africatown in the Central District (“**CD**”) which analysis and recommendations are limited to civil rights concerns regarding the use of displacement and other related tenancy preferences for households affected by past government or private sector action; and

Whereas Relman, Dane & Colfax determined that *such a preference can be justified by the relatively high recent displacement numbers of people displaced from the CD and could also be used to benefit persons whose families have been displaced from the neighborhood over time, especially since the data shows significant displacement by government action since 1970. We see no legal objection to creating such a preference if it is established and maintained consistent with the analysis in this opinion letter;* and

Whereas the Board of Directors of Capitol Hill Housing find that it is within their power and consistent with the organizational values and purpose of CHHIP to use preference policies to ameliorate and counteract the segregative impacts of displacement;

NOW THEREFORE BE IT RESOLVED BY THE COUNCIL OF CAPITOL HILL HOUSING IMPROVEMENT PROGRAM AS FOLLOWS:

RESOLUTIONS

1. The Board of Directors of CHHIP, authorize the CEO to establish Neighborhood Preference policies for Liberty Bank Building and Africatown Plaza consistent with the opinion and recommendations of that certain opinion letter prepared by Relman, Dane & Colfax PLLC and dated December 10, 2018.

2. The Board further authorizes the CEO to establish additional policies in such specific communities as deemed appropriate due to historic patterns of displacement and with the appropriate research, advice and opinion of counsel.

3. The Board further directs the CEO to submit any such future policy and supporting opinion to the Board for their consent.

ADOPTED by the Board of Directors of the Capitol Hill Housing Improvement Program at an open public meeting thereof this 10th day of December, 2018.

CERTIFICATE

I, the undersigned, the duly chosen, qualified and acting Secretary of the Board of Directors of the Capitol Hill Housing Improvement Program (“**CHHIP**”), CERTIFY:

1. That the above Resolution No. 2018-25 (the “Resolution”) is a true and correct copy of the resolution of the CHHIP Council, as adopted at a meeting of the CHHIP Council held on December 10, 2018, and duly recorded in the minute books of CHHIP.

2. That such meeting was duly convened and held in all respects in accordance with law, and, to the extent required by law, due and proper notice of such meeting was given; that a quorum was present at the convening of the meeting and a majority of the members of the Board of Directors of CHHIP present at the meeting voted in the proper manner for the adoption of the Resolution; that all other requirements and proceedings incident to the proper adoption of the Resolution have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this Certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this 10th day of December, 2018.

Secretary

Exhibit A

Relman, Dane & Colfax PLLC
Opinion Letter

(attached)

RELMAN, DANE & COLFAX PLLC

1225 19TH STREET NW SUITE 600
WASHINGTON DC 20036-2456

TEL 202-728-1888

FAX 202-728-0848

WEBSITE WWW.RELMANLAW.COM

December 6, 2018

VIA EMAIL

Chris Persons
Capitol Hill Housing
1620 12th Avenue, Suite 205
Seattle WA 98122

Bill Block
Yesler Community Collaborative
P. O. Box 25803
Seattle, WA 98165

Dear Mr. Persons and Mr. Block:

Capitol Hill Housing (“CHH”) and Yesler Community Collaborative (“Yesler”) retained Relman, Dane & Colfax, PLLC (the “Firm”) to prepare an analysis and make recommendations concerning initial and ongoing tenant selection decisions at two affordable housing developments known as the Liberty Bank Building and Midtown Center/Africatown in the Central District of Seattle, Washington. The Firm’s analysis and recommendations are limited to civil rights concerns regarding the use of displacement and other related tenancy preferences for households affected by past government or private sector action. We express no opinion on the use of similar priority placements for other properties or other neighborhoods in Seattle.

Background

Historically, many tenant selection preferences have been adopted to exclude specific racial or ethnic groups, or have had the effect of doing so. While such preferences are not unlawful, *per se*, they should not be adopted or implemented without careful attention to civil rights concerns implicated by the Fair Housing Act (“FHA”). Where a public corporation like CHH is concerned, additional analysis under Title VI of the Civil Rights Act of 1964 (“Title VI”) is necessary.

We start with a consideration of the leading cases considering the legality of tenant preferences. Where, because of demographic patterns, a preference for residents over non-residents has the effect of limiting housing opportunities for households of color—and cannot be justified by some compelling governmental interest—it is likely to violate the FHA. *See, e.g., Langlois v. Abington Housing Authority*, 234 F. Supp. 2d 33 (D. Mass. 2002). In *Langlois*, the federal court found that a local resident preference had a disproportionate and substantial disparate impact based on race.¹ *See, also, Broadway Triangle Cmty. Coal. v. Bloomberg*, 941 N.Y.S.2d 831, 837 (Sup. Ct. N.Y. Cty. 2011) (application of preference “only serves to perpetuate segregation in the Broadway Triangle” in violation of the FHA).

¹ Geringer-Smith, Ethan, “‘Community Preference’ Lawsuit at Center of Affordable Housing, Segregation Debates,” *Gotham Gazette*, March 29, 2017, available at <http://www.gothamgazette.com/city/6838-community-preference-lawsuit-at-center-of-affordable-housing-segregation-debates>.

More recently, however, concerns about gentrification have given rise to a new debate about whether community preferences can—consistent with civil rights laws—be employed to protect minority households and communities threatened with displacement.² This debate has surfaced in a number of communities and drew national attention when San Francisco sought to use an anti-displacement preference to counter rapid gentrification.³ HUD has recognized that, under appropriate circumstances, affirmative fair housing planning may include measures to respond to gentrification.⁴ Before adopting tenancy preferences or other similar measures, however, a municipality or housing provider should conduct a careful analysis to determine whether doing so could potentially have a segregative effect or implicate the obligation to affirmatively further fair housing.⁵ Title VI similarly requires that municipalities and housing providers receiving federal funds not subject persons to segregation or restrict their access to housing because of race.⁶ In addition, Title VI authorizes these entities to take affirmative actions to overcome the effects of conditions that resulted in limiting participation in programs as well as to overcome the effects of prior discrimination.⁷

For the purposes of this analysis, the Central District (“CD”) is defined as an area encompassing census tracts 76, 77, 78, 79, 86, 87, 88, 89 and 90 in Seattle, Washington. This area includes virtually all of the former Model Cities area that existed in Seattle as confirmed by documents dating back to 1970. In 1960, the Model Cities area in the CD was 60.7% black with 43,600 residents.⁸

There is no factual dispute that residents of the CD, which was an overwhelmingly black community in the 1960s and 1970s, have been displaced and relocated over time by Community Renewal, Model Cities, and other government programs. U.S. Census and American Community Survey (“ACS”) data show a sharp decline in black population in the CD, from 20,870 in 1970 to just 5,958 in 2018. During that same time period, the white population in the area more than doubled, from 9,859 in 1970 to more than 25,000 in 2018. The chart below clearly shows that while the population in the CD was gradually increasing between 1970 and 2018, the black population was dropping significantly as the white population was growing.⁹

² See also, NYU Furman Center, *Community Preferences and Fair Housing*, available at <http://furmancenter.org/research/iri/discussions/community-preferences-and-fair-housing>.

³ National Public Radio, “Federal to Allow Preferences for Low-Income Applicants in S.F. Housing Complex,” Sept. 23, 2016, available at <https://www.npr.org/2016/09/23/495237494/feds-to-allow-preferences-for-low-income-applicants-in-s-f-housing-complex>.

⁴ U.S. Dep’t of Hous. & Urban Dev., *Affirmatively Furthering Fair Housing Rule Guidebook*, Dec. 31, 2015, available at <https://www.hudexchange.info/resources/documents/AFFH-Rule-Guidebook.pdf>, at 186 (noting that where displacement of residents due to economic pressures contributes to segregation, disparities in access to opportunity, and disproportionate housing needs, it may be appropriate to adopt anti-displacement measures to protect tenants of private affordable housing).

⁵ *Broadway Triangle Cmty. Coal.*, *supra* p. 1.

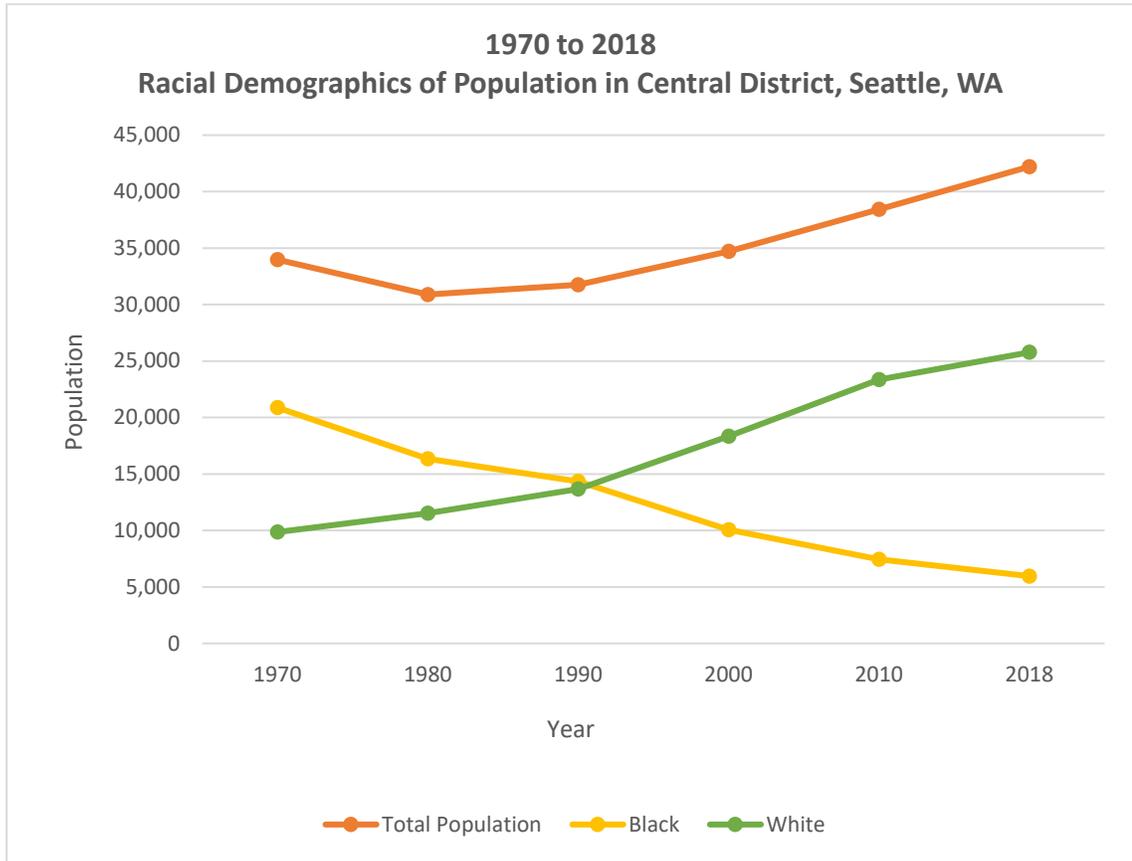
⁶ 24 C.F.R. §§ 1.4(b)(1)(iii) and (iv).

⁷ *Id.* §§ 1.4(b)(6)(i) and (ii).

⁸ Health Resources Study Center, University of Washington, *Central Seattle: A Statistical Summary*, June 1970.

⁹ Data derived from U.S. Census Bureau Reports for the Decennial Census and ACS Estimates for 2018.

This demographic change appears to have originated from the effects of government-sponsored redevelopment.



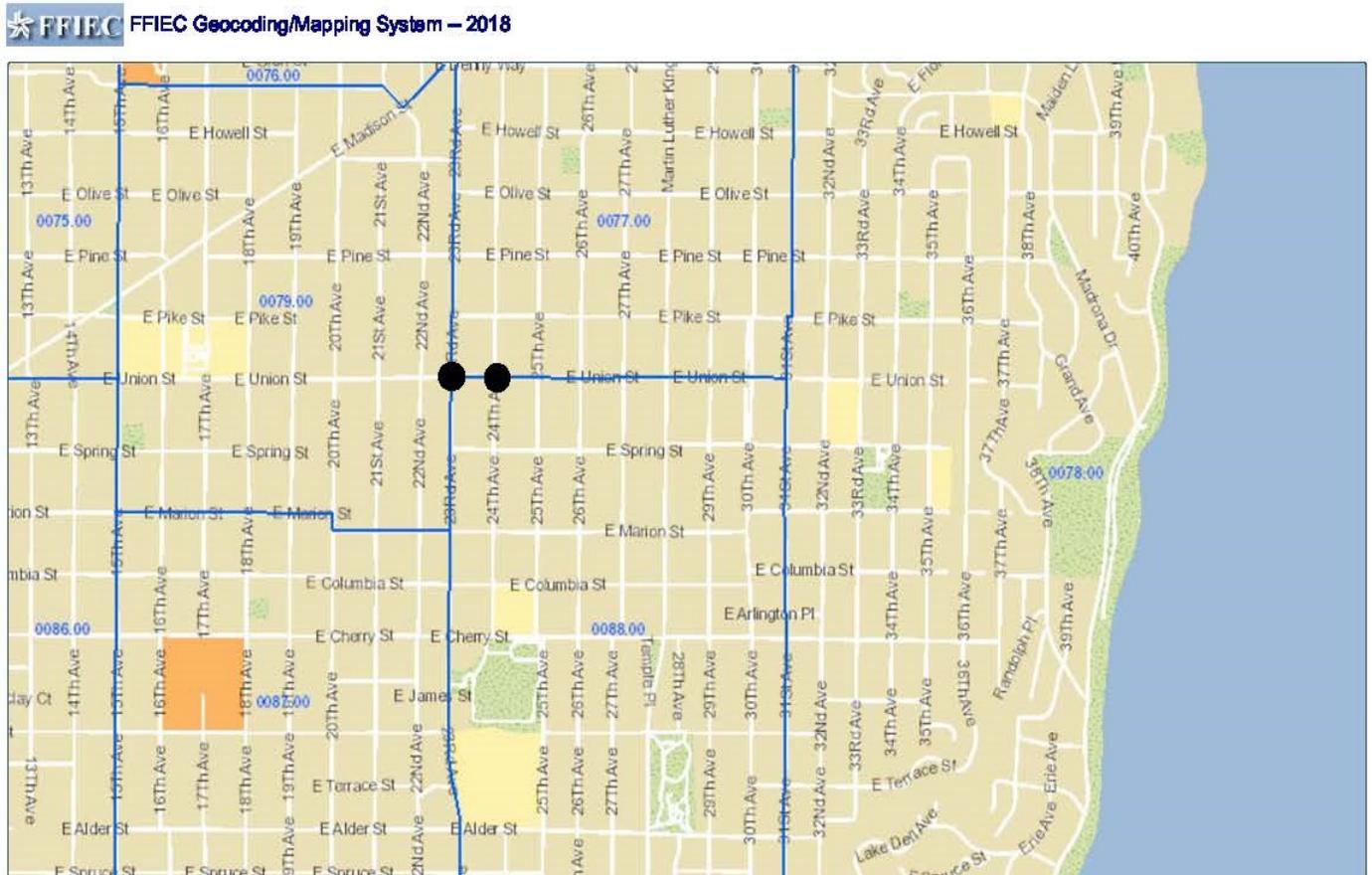
The Proposed Liberty Bank Site

Capitol Hill Housing is developing the site of the former Liberty Bank Building at 24th and Union Streets in the CD. The project will contain 115 units as part of a mixed-use project with studios, one and two-bedroom units for households earning between 30% and 60% of area median income, with income ranges estimated as between \$31,000 and \$54,000, depending on family size. The property will have 25 studio apartments, 75 one-bedroom apartments and 15 two-bedroom apartments, with affordable rent ranges tied to current affordability levels. Amenities will include art installations, including murals, collage portraits, outdoor benches, and a prominent multi-story mural wall, a shared rooftop deck with views of the neighborhood, and an outside courtyard on the ground floor.

As illustrated below, the Liberty Bank site is located on the southern edge of Census Tract 77, where the black population dropped from 3,377 in 1970 to 726 in 2018.¹⁰ It is located immediately north of Census Tract 88, where the black population dropped from 3,535 in 1970 to 533 in 2018. Because the project site is in Tract 77 but very close to Tract 88, our examination considers the data for both tracts.

10/29/2018

<https://geomap.ffiec.gov/FFIECGeocMap/CensDemoMapPrn.aspx>



Location of Liberty Bank Building Project and Midtown Center Project in Central District, 23rd and 24th and Union Streets, Showing Census Tracts.¹¹

¹⁰ Between 2000 and 2010 the black population in Census Tract 77 dropped 42.7% and between 2010 and 2018 (ACS estimates) the black population dropped another 14.9%. The total black population dropped by 762 people between 2000 and 2018. This rapid decline is generally attributed to recent gentrification in the area.

¹¹ FFIEC Geocoding/Mapping System showing location of project on 2018 map of census tracts, available at <https://geomap.ffiec.gov/FFIECGeocMap/GeocodeMap1.aspx>.

The Proposed Midtown Center Site

Across Union Street from the Liberty Bank site, CHH is in the early stages of developing the Midtown Center in conjunction with Africatown Community Land Trust, with about 125 units. Because these two properties will be located in close proximity to each other, they are subject to the same civil rights analysis and will be considered together.

Analysis

Provided they are adopted and implemented consistent with CHH's obligations under the Fair Housing Act and Title VI, and do not result in a significant increase in minority population in a census tract, tenancy preferences for displaced persons or for former residents at these two properties should be approvable by HUD and they are unlikely to raise civil rights concerns. In other words, consideration of preferences that take into account the current levels of racial and ethnic representation in the immediate neighborhood and the trend of demographic patterns in the community and in the relevant census tracts will ensure that unlawful discrimination does not occur.

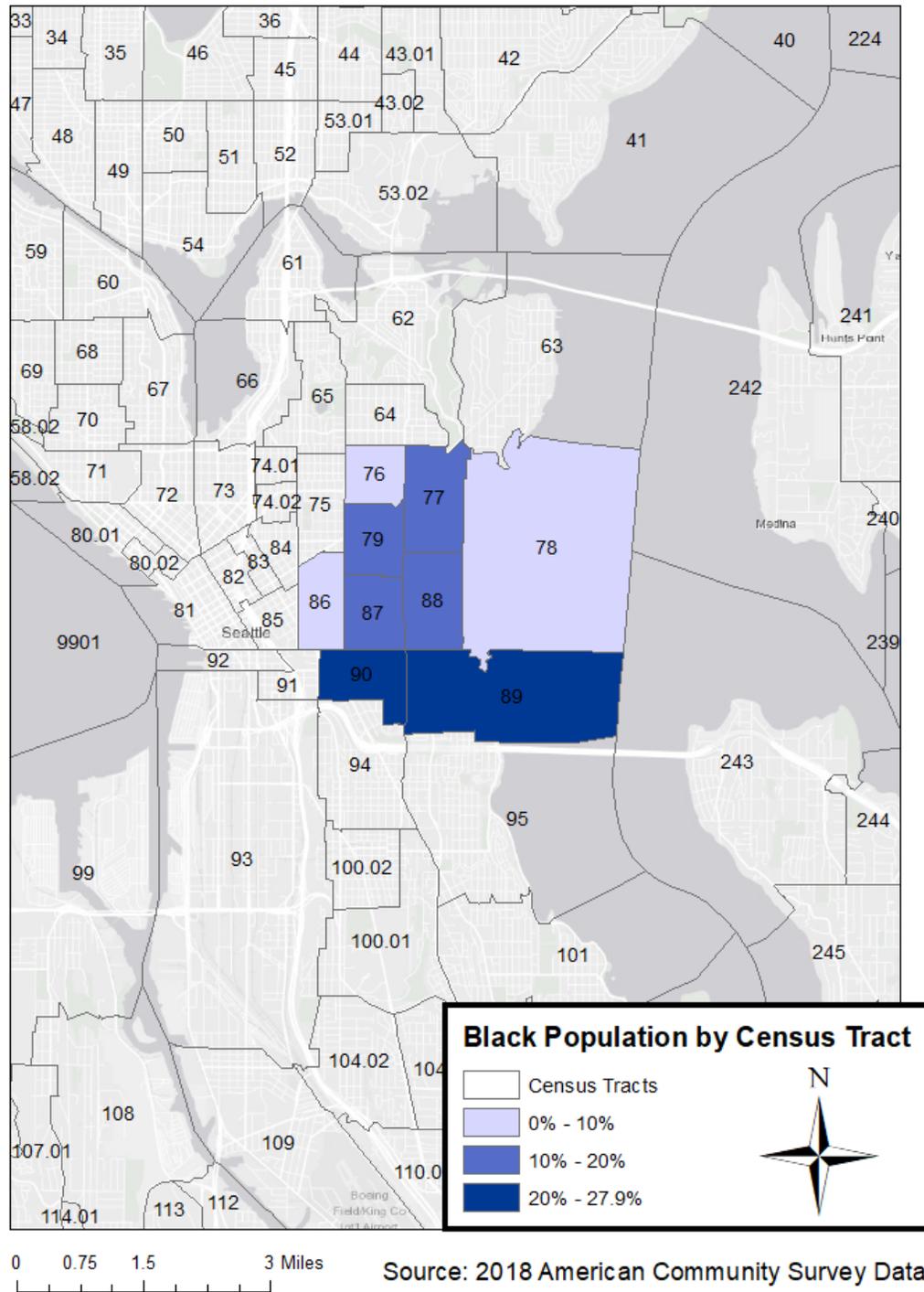
We first analyze the proposed use of a community preference using HUD's Site and Neighborhood Standards, which were developed to address whether siting or occupancy policies perpetuate racial segregation.¹² HUD's standards prevent a project from being in an area of minority concentration or in a racially mixed area if the project will cause a significant increase in the proportion of minority to non-minority residents in the area. 24 C.F.R. § 983.57(e). An area of minority concentration is defined as an area where the percentage of the population of a minority group exceeds the percentage of the population of that minority group in the relevant area by 20% or more. A racially mixed area is an area where the percentage of the population of a minority group exceeds 50%.

In 2018, ACS estimates that the black population of the City of Seattle is 7.9%. Census Tract 77 is 14.2% black and Census Tract 88 is 13.8% black; collectively, they are 14.1% black. Therefore, because the percentage of the black population in the area does not exceed the black population in Seattle by 20% or more, the two properties are not located in an area of minority concentration. An area that would be an area of racial concentration would have a black population of 27.9% or higher.

The following map illustrates that for each Census Tract in the CD, the black population is less than 27.9% of the population of the tract. Therefore, no area in the CD is an area of racial concentration as defined by HUD. Similarly, no category of minority population in Census Tract 77 or any other Census Tract in the CD exceeds 50% so the area is not considered a racially mixed area as defined by HUD.

¹² See, e.g., *Shannon v. HUD*, 436 F.2d 809 (3d Cir. 1970), requiring HUD to adopt adequate institutional means to collect and evaluate facts involving whether particular actions would be discriminatory. The Shannon decision led to the development of standards for HUD use for siting affordable housing which would prevent the perpetuation of segregation.

Distribution of Black Population in Central District, Seattle, Washington 2018



We note first that use of a community preference at the two properties will not cause a significant increase in the minority population of the CD. The Liberty Bank building will have a total of only 115 units, and a maximum projected occupancy of 335 (assuming maximum occupancy under Capitol Hill Housing's occupancy standards of two persons per studio, three persons in each one-bedroom unit and five persons in each two-bedroom unit). The Midtown Center site will have a total of about 125 units with a similar projected occupancy. There is no appreciable risk that these numbers would create a significant increase in the minority population of the CD if a proportional preference is used, especially considering the rate at which the demographics have changed in the CD in recent years and because occupancy of the units that are not affected by the preference will be sufficient to more than equalize any effect of the preference.

Preference Provisions

CHH has expressed a desire to establish a local tenancy preference that would benefit residents of the community who have been displaced from the CD. Such a preference can be justified by the relatively high recent displacement numbers of people displaced from the CD and could also be used to benefit persons whose families have been displaced from the neighborhood over time, especially since the data shows significant displacement by government action since 1970. We see no legal objection to creating such a preference if it is established and maintained consistent with the analysis in this opinion letter.

We recommend that you consider a displacement preference that permits up to 40% of the units to be occupied by households receiving such a preference. For the Liberty Bank site, that would be 46 units. For the Midtown Center site, that would be 50 units.

The units with a preference should represent a proportionate mix of unit types. For example, in the Liberty Bank site you could consider setting aside 10 studio units, 30 one-bedroom units and 6 two-bedroom units for households that receive the preference. A similar mix should be established for the Midtown Center site.

Normal application procedures, including income qualification, would apply.

Use of a proportionate preference avoids any concern that the preference would have a disproportionate impact based on race, that it would perpetuate segregation, or that it would constitute a quota. The remainder of the units should be affirmatively marketed in a way that ensures that eligible applicants of all types, especially those applicants who are least likely to apply, will find out about and be able to apply and qualify for the housing.

We also evaluated the proposed preference under HUD's discriminatory effect standard. See 24 C.F.R. § 100.500(a): "A practice has a discriminatory effect where it actually or predictably . . . creates, increases, reinforces, or perpetuates segregated housing patterns because of race . . ." and is not justified by a legally sufficient justification. The evidence that we have reviewed does not indicate that there is a discriminatory effect from the actions proposed, and even if there were, the actions would be justified by the high rate of departure by black residents since 1970. Creation of a 40% preference that at most would affect 46 units in one building and

50 units in another nearby building will not create a pattern of segregation in the building or in the neighborhood nearby.

We welcome the opportunity to discuss the analysis and recommendations contained herein. Moreover, we are available to assist you or others with additional advice and analysis as you move forward in implementing tenancy preferences. Should you have additional questions or concerns, please contact me or Sara Pratt at (202) 728-1888.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Allen", written in a cursive style.

Michael Allen

Enc.

CAPITOL HILL HOUSING
PROPOSED LIBERTY BANK BUILDING PROJECT
PREFERENCE POLICY

The Liberty Bank Building project will offer a community preference to individuals who were themselves displaced, or whose ancestors were displaced from the Central District as a result of government action between 1970 and 2018. 40% of the units available for rental at the site will be rented subject to the preference. The preference applies to a total of 46 units: 10 studio units, 30 one-bedroom units and 6 two-bedroom units.

Every unit in the site will be affordable for households that are low or very low income, with incomes at 60% of area median income or below.

Capitol Hill Housing screens applicants based on income, criminal history, rental history, credit history, student status, age, and household size. Please carefully read the [Eligibility and Screening Criteria](#) to see if your household qualifies. Capitol Hill Housing does accept Comprehensive Tenant Screening Reports.

Applicants who do not meet Capitol Hill Housing's eligibility criteria can apply for an exception made only through the Individual Assessment process. Please see the [Individual Assessment requirements](#) on how to apply. Persons seeking a reasonable accommodation or modification due to a disability should complete a [Reasonable Accommodation/Modification Request form](#) at the time of application.

Applicants who claim a priority preference based on past displacement must provide documentation which shows that:

1. The applicant or a parent, grandparent or legal guardian personally resided in the Central District in Census Tracts 76, 77, 78, 79, 86, 87, 88, or 89 between January 1, 1970 and the date of application.
2. The applicant or a parent, grandparent or legal guardian was displaced or is at risk of displacement from the Central District as a result of government action.
3. Documentation may include independent evidence such as school records, birth certificates or church records, identification records, utility records, or a signed notarized statement by a person other than the applicant attesting to the past residence, the relationship between the applicant and a prior resident and the reason for the displacement in addition to a statement by the applicant.

All applications will be reviewed for eligibility based on date and time received. Applications from all households eligible for the preference will be selected in random order from eligible applicants and they will be considered based on household size for available, appropriately sized units. Any eligible applicants who are not selected for an initial preference will be maintained on a separate waiting list for future vacancies in the 46 units established by this preference.

CAPITOL HILL HOUSING
PROPOSED MIDTOWN CENTER PROJECT
PREFERENCE POLICY

The Midtown Center project developed by Capitol Hill Housing will offer a community preference to individuals who were themselves displaced, or whose ancestors were displaced, from the Central District between 1970 and 2018. 40% of the units available for rental at the site will be rented subject to the preference, with the units proportionately representing the various bedroom sizes in the final project.

Every unit in the site will be affordable for households that are low or very low income, with incomes at 60% of area median income or below.

Capitol Hill Housing screens applicants based on income, criminal history, rental history, credit history, student status, age, and household size. Please carefully read the [Eligibility and Screening Criteria](#) to see if your household qualifies. Capitol Hill Housing does accept Comprehensive Tenant Screening Reports.

Applicants who do not meet Capitol Hill Housing's eligibility criteria can apply for an exception made only through the Individual Assessment process. Please see the [Individual Assessment requirements](#) on how to apply. Persons seeking a reasonable accommodation or modification due to a disability should complete a [Reasonable Accommodation/Modification Request form](#) at the time of application.

Applicants who claim a priority preference based on past displacement must provide documentation which shows that:

1. The applicant or a parent, grandparent or legal guardian personally resided in the Central District in Census Tracts 76, 77, 78, 79, 86, 87, 88, or 89 between January 1 1970 and the date of application.
2. The applicant or a parent, grandparent or legal guardian was displaced or is at risk of displacement from the Central District as a result of government action.
3. Documentation may include independent evidence such as school records, birth certificates or church records, identification records, utility records, or a signed notarized statement by a person other than the applicant attesting to the past residence, the relationship between the applicant and a prior resident and the reason for the displacement in addition to a statement by the applicant.

All applications will be reviewed for eligibility based on date and time received. Applications from all households eligible for the preference will be selected in random order from eligible applicants and they will be considered based on household size for available, appropriately sized units. Any eligible applicants who are not selected for an initial preference will be maintained on a separate waiting list for future vacancies in the units to be filled using this preference.



SECTION 9:
Resolution 2018-26:
Bonanza Bond Inducement

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CHH Board Resolution 2018-26 Overview: Bonanza Bond Inducement

Purpose: This Resolution is a required statement of intent by the organization to enter into issuance and sale of tax exempt bonds for the financing of the Bonanza Project.

Type of Resolution/Motion:

- **Is this a formal resolution?** Yes No
- **Are we requesting a motion from the floor?** Yes No
- **Has this resolution been presented to a Board Committee?** Yes No
If so, which committee or committees? Property Development Committee

Charter or Rules and Regulations Modification:

- **Does this Resolution change the Charter or Rules and Regulations?** Yes No
- *If yes, you need to give notice to the Board 15 days prior to the proposed change.*
- *Changes to the Charter or Rules and Regulations must use the strike out format so change is clear to reader.*

General Description and Purpose: Bonanza Project will be financed in part with 4% bonds. This is the first step in a three-part process that will result in the issuance of the Bonds by CHH, the purchase of the Bonds by Well Fargo then the granting of a construction loan and permanent loan by Wells Fargo and Freddie TEL to the entity created to finance and own the Bonanza Project, Bonanza 1 LLLP.

Organizational requirements of resolution: The costs of issuance are part of the Bonanza Project budget and are financed with project sources of funds.

Financial cost of the resolution: None

Pros: This is necessary step in the financing of the Bonanza Project

Cons: None

Further Board Action or Reporting:

- **Is further action required from the Board or a Board Committee?** Yes No
If yes, please describe: The second step in the bond issuance process take place this month and does not require additional Board approval, TEFRA process, where CHH asks the City for permission to issue bonds in the amount needed to finance the project. This comes along with a public hearing held at our office that is rarely attended by anyone except our attorney, and then, after the hearing, formal approval by the Mayor. The third step will happen in January when the Board reviews a detailed Bond Finance Resolution that our bond attorneys, Foster Pepper, will prepare that describes in detail the final financing structure of the project. The Board will be asked to approve the Bond Finance Resolution at the January Board meeting so that project financing can close later in January 2019.
- **Is further reporting required to the Board or a Board Committee?** Yes No
If yes, please describe: The Status of the Bonanza Project is included in the monthly Property Development report to the Board.

CAPITOL HILL HOUSING IMPROVEMENT PROGRAM

RESOLUTION NO. 2018-26

(BONANZA PROJECT)

A RESOLUTION of the Capitol Hill Housing Improvement Program declaring its intention to sell bonds in an amount not to exceed \$22,000,000 to provide financing to Bonanza 1 LLLP, a Washington limited liability limited partnership, to finance the acquisition, rehabilitation and equipping of the Ponderosa, 18th Avenue, and El Nor Apartments, all within the City of Seattle, Washington, and determining related matters.

*This document was prepared by:
FOSTER PEPPER PLLC
1111 Third Avenue, Suite 3000
Seattle, Washington 98101
(206) 447-4400*

CAPITOL HILL HOUSING IMPROVEMENT PROGRAM

RESOLUTION NO. 2018-26

(BONANZA PROJECT)

A RESOLUTION of the Capitol Hill Housing Improvement Program declaring its intention to sell bonds in an amount not to exceed \$22,000,000 to provide financing to Bonanza 1 LLLP, a Washington limited liability limited partnership, to finance the acquisition, rehabilitation and equipping of the Ponderosa, 18th Avenue, and El Nor Apartments, all within the City of Seattle, Washington, and determining related matters.

WHEREAS, RCW 35.21.730 provides that a city may form a public corporation “in order to improve...the general living conditions in the urban areas of the state...”; and

WHEREAS, The City of Seattle (“City”), acting in accordance with RCW 35.21.730, formed Capitol Hill Housing Improvement Program (“Capitol Hill Housing”), a public corporation, for such purposes; and

WHEREAS, RCW 35.21.745 provides that a public corporation may issue bonds and other instruments; and

WHEREAS, Capitol Hill Housing has participated in the formation Bonanza 1 LLLP, a Washington limited liability limited partnership (the “Borrower”) of which Bonanza 1 GP LLC is the general partner and Capitol Hill Housing is the initial limited partner for the purpose of acquiring, rehabilitating, equipping, and operating the 23-unit multifamily housing complex known as Ponderosa Apartments located at 1602 18th Avenue, Seattle, Washington, the nine-unit multifamily housing complex known as the 18th Avenue Apartments located at 1532 18th Avenue, Seattle, Washington, and the 55-unit multifamily housing complex known as El Nor Apartments located at 117 18th Avenue, Seattle, Washington 98122; and

WHEREAS, the estimated cost of acquiring, rehabilitating and equipping the Project is not

expected to exceed \$45,600,000; and

WHEREAS, Capitol Hill Housing anticipates that the Borrower will request that Capitol Hill Housing issue and sell its revenue bonds for the purpose of assisting the Borrower in financing the acquisition, rehabilitation and equipping of the Project; and

WHEREAS, Capitol Hill Housing desires to provide such assistance if certain conditions are met; and

WHEREAS, Treasury Regulations Section 1.103-8(a)(5) requires that, in order for expenditures for an exempt facility that are made before the issue date of bonds issued to provide financing for that facility to qualify for tax-exempt financing, the issuer must declare an official intent under Treasury Regulations Section 1.150-2 to reimburse any such expenditures from the proceeds of those bonds, and one of the purposes of this resolution is to satisfy the requirements of such regulations; NOW, THEREFORE,

BE IT RESOLVED BY THE COUNCIL OF THE CAPITOL HILL HOUSING IMPROVEMENT PROGRAM, as follows:

Section 1. To assist in the financing of the Project, with the public benefits resulting therefrom, Capitol Hill Housing declares its intention, subject to the conditions and terms set forth herein, to issue and sell its revenue bonds or other obligations (the “Bonds”) in a principal amount of not to exceed \$22,000,000, to use the proceeds of the sale of the Bonds to make a loan to the Borrower, and to reimburse itself or to permit the Borrower to reimburse itself, as applicable, from proceeds of the Bonds for expenditures for the Project made by Capitol Hill Housing or the Borrower before the issue date of the Bonds.

Section 2. The proceeds of the Bonds will be used to assist in financing the Project, and may also be used to pay all or part of the costs incident to the authorization, sale, issuance and delivery of the Bonds.

Section 3. The Bonds will be payable solely from the revenues derived as a result of the Project financed by the Bonds, including, without limitation, amounts received under the terms of any financing document or by reason of any additional security furnished by or on behalf of the Borrower in connection with the financing of the Project, as specified by resolution of the Capitol Hill Housing Council. The Bonds may be issued in one or more series, and shall bear such rate or rates of interest, payable at such times, shall mature at such time or times, in such amount or amounts, shall have such security, and shall contain such other terms, conditions and covenants as shall later be provided by resolution of the Capitol Hill Housing Council.

Section 4. The Bonds shall be issued subject to the conditions that (a) Capitol Hill Housing, the Borrower and the purchaser(s) of the Bonds shall have first agreed to mutually acceptable terms for the Bonds and the sale and delivery thereof and mutually acceptable terms and conditions of the loan or other agreement for the Project, and (b) all governmental approvals and certifications and findings required by laws applicable to the Bonds first shall have been obtained. The Executive Director of Capitol Hill Housing or his or her designee is authorized to seek an allocation of volume cap for the Bonds from the Washington State Department of Commerce or a transfer of volume cap from the Washington State Housing Finance Commission, and to seek such other approvals and funding as may be necessary or desirable in connection with the Project.

Section 5. For purposes of applicable Treasury Regulations, the Borrower is authorized to commence financing of the Project and advance such funds as may be necessary therefor, subject to reimbursement for all expenditures to the extent provided herein out of proceeds, if any, of the issue

of Bonds authorized herein. However, the adoption of this resolution does not constitute a guarantee that the Bonds will be issued or that the Project will be financed as described herein or an endorsement of the Project by Capitol Hill Housing. The Capitol Hill Housing Council shall have the absolute right to rescind this resolution at any time if it determines in its sole judgment that the risks associated with the issuance of the Bonds are unacceptable.

Section 6. It is intended that this resolution shall constitute a declaration of official intent to reimburse expenditures for the Project made before the issue date of the Bonds from proceeds of the Bonds, for the purposes of Treasury Regulations Sections 1.103-8(a)(5) and 1.150-2.

Section 7. Any actions of Capitol Hill Housing or its officers prior to the date hereof and consistent with the terms of this resolution are ratified and confirmed.

Section 8. This resolution shall be in full force and effect from and after its adoption and approval.

ADOPTED by the Council of the Capitol Hill Housing Improvement Program at an open public meeting this ____ day of December, 2018.

CAPITOL HILL HOUSING IMPROVEMENT PROGRAM

By: President

ATTEST:

Secretary

CERTIFICATE

I, the undersigned, the duly chosen, qualified and acting Secretary of the Council of the Capitol Hill Housing Improvement Program (“Capitol Hill Housing”) and keeper of the records of Capitol Hill Housing, CERTIFY:

1. That the attached Resolution No. 2018-26 (the “Resolution”) is a full, true and correct copy of the resolution of the Capitol Hill Housing Council, as adopted at a meeting of the Capitol Hill Housing Council held on December __, 2018, and duly recorded in the minute books of Capitol Hill Housing.

2. That such meeting was duly convened and held in all respects in accordance with law, and, to the extent required by law, due and proper notice of such meeting was given; that a quorum was present throughout the meeting and a majority of the members of the Capitol Hill Housing Council present at the meeting voted in the proper manner for the adoption of the Resolution; that all other requirements and proceedings incident to the proper adoption of the Resolution have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this Certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this ___ day of December, 2018.

Secretary

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SECTION 10:
Resolution 2018-27:
Yesler Predevelopment

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CHH Board Resolution 2018-27 – Yesler Records Predevelopment

Overview: Board Authorization for entering into a Predevelopment Agreement with the Seattle Housing Authority to develop the Yesler Records and Retention Center project, expending Predevelopment funds, creating an operating entity.

Purpose: Resolution to: (1) authorize the CEO to enter into a Predevelopment Agreement with the Seattle Housing Authority (together with project partner, Seattle Chinatown International District Preservation and Development Authority [SCIDpda]); (2) expend predevelopment funds needed to move the project forward up to a limit of \$850,000; and (3) create project operating entities.

Type of Resolution/Motion:

- *Is this a formal resolution?* Yes No
- *Are we requesting a motion from the floor?* Yes No
- *Has this resolution been presented to a Board Committee?:* Yes No
If so, which committee or committees?: Property Development Committee

Charter or Rules and Regulations Modification:

- **Does this Resolution change the Charter or Rules and Regulations?** Yes No
- *If yes, you need to give notice to the Board 15 days prior to the proposed change.*
- *Changes to the Charter or Rules and Regulations must use the strike out format so change is clear to reader.*

General Description and Purpose: In August, the Board adopted Resolution 2018-15, Yesler Redevelopment RFP, authorizing the CEO to collaborate with SCIDpda, and prepare a funding and development proposal in response to the RFP issued by the Seattle Housing Authority to develop the former King County Records and Retention site. CHH and SCIDPDA was awarded the project. With this resolution, the Board authorizes the CEO to enter into a predevelopment agreement (together with SCIDpda) with the Seattle Housing Authority; to expend predevelopment funds on the project, and to create an operating entity needed to obtain financing to develop the project

Organizational requirements of resolution: None

Financial cost of the resolution: All permanent financing needed to develop the project has been committed. The total predevelopment budget for the project is \$1,634,110. According to the terms of the Memorandum of Understanding, between CHH & SCIDpda, each agency will be responsible for financing 50% of predevelopment costs.

Pros: CHH with our partner SCIDPDA will create a high mission affordable housing community in the Yesler Terrace Community.

Cons: CHH is responsible for 50% of Predevelopment costs and risks \$850,000 should the project not proceed to financial closing. In the event that SHA and CHH/SCIDpda determine that CHH/SCIDpda should no longer be the developer of the project, the Predevelopment Agreement between SHA and the Development entities describes a process by which SHA may reimburse the Developer for Predevelopment costs it had incurred up to the point of its separation from the project.

Further Board Action or Reporting:

- **Is further action required from the Board or a Board Committee?** Yes No

If yes, please describe: The Board or Property Development Committee as appropriate will approve borrowing on any funds needed beyond the initial predevelopment expense levels, the ground lease between SHA and the development entity created for the project and may be asked to take additional action as of yet unforeseen.

- **Is further reporting required to the Board or a Board Committee?** Yes No

If yes, please describe: Reporting on progress of the project will take place at the Property Development Committee.



**ADOPTED AT A MEETING OF
THE BOARD OF DIRECTORS OF THE
CAPITOL HILL HOUSING IMPROVEMENT PROGRAM,
A WASHINGTON PUBLIC CORPORATION**

**Resolution No. 2018-27
Yesler Records - Predevelopment**

WHEREAS, the Capitol Hill Housing Improvement Program (the Program) is a public corporation organized pursuant to RCW 35.21.660, 35.21.670, and 35.21.730-755, and Seattle Municipal Code Ch. 3.110. As such, it is a political subdivision of the State with an area of operation focused on in the Capitol Hill community in the City of Seattle; and

WHEREAS, the purpose of the Program shall be to assist homeowners, property owners, residential tenants and residents of the Capitol Hill community in preserving, improving and restoring the quality of their homes, property and neighborhood, and to provide additional housing, cultural, social and economic opportunities and facilities; and

WHEREAS, prior authorization of concurrence of the Board by resolution shall be necessary for any project or activity located outside of the Capitol Hill community upon a determination by the Board that such project or activity will further the purpose of the Program; and

WHEREAS, in accordance with Article V of its Charter, subject to certain limitations, the Program shall have and exercise all powers necessary or convenient to effect the purposes for which the Program is organized and to perform authorized Program functions including the development of affordable housing; and

WHEREAS, CHH has identified the opportunity to develop the site known as the King County Records and Retention Center (the "Site") located at 1215 E Fir Street into affordable housing in partnership with the Seattle Chinatown International District Preservation and Development Authority (SCIDpda); and

WHEREAS, the development of the site will provide approximately one hundred and fifty-eight units of affordable housing for low income persons, an 8,000 square foot child care center and 1,000 square feet in community-oriented commercial services;

NOW, THEREFORE, BE IT RESOLVED that the Board of the Capitol Hill Housing Improvement Program hereby finds as follows:

(1) That the development of the Site will further CHH's purpose and efforts to promote the development of quality affordable housing in the City of Seattle and is therefore within the power and authority granted to CHH by its Charter.

(2) That the Chief Executive Officer is authorized and directed to:

- (a) Enter into a Predevelopment Agreement between project partners (Capitol Hill Housing and SCIDpda) and the Seattle Housing Authority;
- (b) Expend up to \$850,000 of predevelopment funds in order to develop the project, an amount equal to approximately 50% of the project's total predevelopment budget, the remaining 50% of funds being the responsibility of project partner SCIDpda;
- (c) Create operating entities needed to finance and develop the project;
- (d) Take all other actions as necessary to effectuate the foregoing.

CERTIFICATION

I, Derrick Belgarde, certify that I am the Secretary of Capitol Hill Housing Improvement Program ("CHH") and that the foregoing Resolutions were duly adopted at a meeting of the Board of Directors of CHH held on 10th day of December, in accordance with the Charter and Rules of Regulations of CHH upon proper notice and at which time a quorum was present.

DATED the 10th day of December 2018.

By _____

Its _____



SECTION 11:

Consent Agenda and Attachments

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CAPITOL HILL HOUSING REGULAR MEETING

December 10, 2018

6:00 – 7:30 PM Regular Meeting

12th Ave Arts Pike Pine Meeting Room

1620 12th Avenue, Seattle

CONSENT ITEMS

MINUTES AND REPORTS

1. November 2018 Draft Board Meeting Minutes (attached for adoption)
2. Tenant Communications Tracking (attached for review)
3. Committee Reports and Minutes (attached for acceptance)
4. Memo: Continuing Budget (attached for approval)
5. Finance Policy (attached for acceptance)
6. 2019 Board Meeting Schedule (attached for acceptance)

DONATIONS, TRANSACTIONS OVER \$10,000 OR 1-YEAR, AGREEMENTS WITH PUBLIC ENTITIES

Blended				
Date	Bldg/Entity	Contract with:	Amount	Purpose
October 17, 2018	OLETA	Byer Contracting, Inc.	\$11,394.00	Selected demolition apts 201 and 202.
October 17, 2018	ELIZABETH JAMES	Metro Group LLC dba Conserve Energy	\$13,873.00	Retrofit common area lighting.
November 21, 2018	BERNEVA	Building Envelope Tech and Research	\$18,020.00	Conduct evaluation of the conditions of the brick envelopes at the Fleming, Oleta, Lincoln Ct., and Berneva Apts.
December 4, 2018	CHH	Converge Media	\$33,000.00	LBB Lease up communications contract in partnership with Africatown. Crisis communications and public relations including media ad-buys, podcast, videos and social media.

Other (for informational purposes only)				
Date	Bldg/Entity	Contract with:	Amount	Purpose
November 11, 2018	CAL ANDERSON	Reliance Fire Protection	\$21,000.00	Replace recalled sprinkler heads.



REGULAR BOARD MEETING MINUTES

Pike-Pine Room
1620 12th Avenue, Seattle

November 13, 2018

Members Present: Frank F. Alvarado III, Derrick Belgarde, Rachel Ben-Shmuel, Paul Breckenridge (via phone), Sara Cubillos (Emerging Leader Fellow), Bob Fikso, Chasten Fulbright, Shalimar Gonzales, Cathy Hillenbrand, Eric Snow

Members Absent: Dana Behar, Michael Malone, b.g Nabors-Glass, Robert Schwartz, Selomé Teshome

Staff Present: Robyn Dhatt (taking minutes), Jill Fleming, Greg Gibson, Anthony Jacobs, Michelle Lambert, Brad Lange, Chris Persons, Michael Seiwerath, Sarah Shoemake (taking minutes), Brian Steen, Heyward Watson, Jeremy Wilkening

Guests Present: Bill Block, Rachael Steward, Sarah Pratt (via phone), Michael Allen (via phone)

The meeting was called to order by Shalimar Gonzales at 6:02 pm.

A motion to approve the **Consent Agenda** was made by Cathy Hillenbrand, seconded by Rachel Ben-Shmuel, and passed unanimously.

Disclosures and recusals: None.

Mission Moment: Cathy was chosen for the mission moment and briefly explained why the CHH mission is important to her. She remembers when the organization was the Stevens Neighborhood Housing Improvement Program. She was aware of CHHIP from the beginning. Cathy is proud of our work and loves what we do: building vibrant and great communities.

Public comment: There were no members of the public present.

Presentation and Discussion

Neighborhood Preference: Chris made two previous presentations to the Board about using neighborhood preferences in our leasing process at new developments as a means to set some priority for individuals and families who have been displaced from their neighborhoods. Working with the Yesler Community Collaborative, CHH has contracted with Relman, Dane & Colfax PLLC a law firm based in

Washington DC, to craft an opinion that CHH could rely on for the development of a Neighborhood Preference policy for LBB and Africatown Plaza and which could then provide a template for other developments in our pipeline, for other communities, and for the City as a whole to contemplate for future adoption. There will be a resolution for potential adoption at the regular December Board meeting.

Chris briefly reviewed the process and Sara Pratt and Michael Allen from Relman Dane presented their opinion and draft recommended policy via phone. Chris noted that our staff is working with the Office of Housing (OH) and the Office of Civil Rights (OCR) on this policy and that by December, we would know if the City supports it.

Finance and Asset Management

Finance and Asset Management Report: Greg presented the regular FAM Report and dashboard through September 2018. The finance team continues to work on updating the CHH financial policies for Board adoption in the consent agenda for later a later Board meeting.

A motion to approve the **Finance and Asset Management Report** was made by Chasten Fulbright, seconded by Rachel Ben-Shmuel, and passed unanimously.

2019 Budget Assumptions Introduction: Greg presented the timeline and budget assumptions for the 2019 budget, which we expect to present to the Board for adoption at the regular Board meeting in January, which the FAMC will approve in December.

Greg noted that the Board will pass an operational budget in December to cover the organization for January budget, until the 2019 Budget is passed in January.

Property Management

Union James REAC Score: CHH received an abysmally low REAC score for the site inspection at the Union James Apartments, for which we received a Notice of Default from HUD. Chris reviewed the UJ score as well as all of CHH's other REAC scores since 2014. Chris, Jill, and the property management team have been in contact with HUD and have taken several steps to reverse this score. He noted that after a technical review, the score was increased to 31.

18-Point Plan Follow-Up: Chris reviewed the status of the 18 Point plan.

Liberty Bank Lease Up: Chris updated the Board on the LBB lease up process. Although, we were assured by Verizon that their system could manage unlimited simultaneous calls, it could not. During the first hour when the leasing line was open, 338 calls were logged, most of which we presume came in precisely at 9:00 AM and the system clogged up. However, we have collected phone numbers and messages time-stamped in the order received and have agreed to a process for making return intake calls. We received calls from 788 unique numbers in the first 24 hours of the phone line opening. It was noted that the plan was to call back the first 300 callers to obtain applicants and backups for each of the 97 units available. It was noted that there are several set aside units in the building. The CHH leasing team is creating a thorough script to return phone calls and we have been working closely with our community partners.

Berneva Internal Review Update: Last month a resident brought a series of complaints to the Board regarding his experience living at Berneva Apartments. Brad Lange has substantially completed an internal review and reported briefly to the Board. Some of the complaints had merit and have been resolved.

Executive Committee and Governance

Branding Update: Michael Seiwerath gave a brief update on the rebranding process. He reminded the Board of the current timeline, noting that our messaging, name and corporate structure are all being reviewed. The goal is to have a proposed restructure by February 2019, key messaging complete by March 2019 and to start the renaming process in Q2 2019.

Board Development: Sarah reported that both Racheal Steward and Michelle Purnell-Hepburn are still interested candidates for Board membership, pending final discussions. Another Board seat is opening and there is a candidate for that position to be introduced to the Board for review.

Pipeline Review and Project Introductions

SHA/King County Records Retention Site: Staff updated the Board on the status of our response to the RFP. The building is on Yelser & 14th. On our application, we partnered with SCIDpda to create 168, family focused units.

Africatown Plaza Update: Chris, Jill and the Executive Leadership Team provided an update on the Africatown Plaza development.

Per RCW 42.30.110(b), the CHH Board entered into an executive session to consider the acquisition of real estate when public knowledge of such consideration would cause a likelihood of increased price. The session began at 7:23pm. The Board exited the executive session at 7:30m.

Development Pipeline Update: Jeremy noted that we should hear back about the Northgate reapplication later in November and would potentially participate in interviews that last week of November.

Other

Meeting Length: Chris suggested that the Board discuss increasing the regular monthly meeting times from 1.5 to 2 hours, since the meeting ends up being rushed every month. Board members suggested ways to make the topics shorter and more meaningful. Sara suggested developing strategic questions for the Board to discuss regarding each presentation or item to make the meetings more engaging. Derrick suggested that if we add time that the agenda not be expanded. Chasten noted that he would appreciate more time to learn more about the many other aspects of CHH besides reporting and larger topics that are brought to the Board. There was overall support to potentially increase the meeting length.

The meeting was adjourned by Derrick Belgarde at 7:38 pm.

Attested,

Derrick Belgarde, Secretary
December 10, 2018

DRAFT

Resident Communications Tracking

Building	Issue	Status	Resolution
Berneva	Tenant has submitted multiple complaints regarding his neighbors, their guests, and the Site Manager. His comments and communication have become harassing in nature.	Open	Meeting conducted between tenant, Portfolio Manager, Sr. Director of Property Management, and VP of Organizational Performance scheduled for 3/28. Follow-up meetings with PM held monthly.
Larned	Resident sent a complaint about CHH Staff cleaning out storage unit after notification that the unit contents would be removed after August 7, 2018 (unit contents removed on August 14, 2018).	Open	After investigation by SDPM and review by Lawyers it was determined that CHH should settle with this Resident. The Resident has agreed to a settlement and CHH is working with the lawyer12th AA to draw up an agreement.
12 th AA	Resident sent in a complaint about behavior from the Building Specialist, overheard conversations from Staff and general neglect from CHH personnel.	Open	The SDPM contacted Resident to determine what has happened on 10/8/2018 by email to set an appointment to discuss concerns and start an investigation of the facts. Resident didn't respond. SDPM made another attempt to contact Resident by e-mail on 12/3/2018 to set a meeting date, waiting for response.

December 2018 PROPERTY MANAGEMENT COMMITTEE BOARD REPORT AND MINUTES

Property Management Committee Members: b.g. Nabors-Glass, Chasten Fulbright, Derrick Belgarde, Felicia Cross

Staff Liaisons to the Board: **Heyward Watson**, Valencia Chambers-Manora, Terra Walsh, **Noah Wernstedt-Lynch** (taking notes)

(**BOLD** indicates those members in attendance)

Date, time and location of meeting: December 4, 2018 -1:00 –2:00 PM Belmont Conference Room

Date, time and location of next meeting: January 8, 2018 -1:00 -2:00 PM Belmont Conference Room

Current Capital Projects in Process/Pending:

- **Elizabeth James Renew Projects**
 - Domestic water heater preheats heat pump installation – installation and commissioning complete.
 - Bath fan cleaning and servicing – Fans replaced and commissioned. Minor dry wall repairs identified. To be addressed in Nov 2018.
 - Recreation heat pump installation – Unit installed and operational.
 - Lighting upgrades – In progress.
 - Roof replacement – on hold until HUD approval. Discussing the financial feasibility to upgrade the roof insulation to meet current code requirements. Office of Housing is unable to pay for any additional construction costs incurred to configure roof for the added insulation. Includes design for permit, increasing the height of the perimeter curb, and roof venting requirements. Rebid (if required due to design changes required) 1st quarter 2019, and construction 2nd quarter 2019.
 - Solar panel installation – on hold until roof replaced. Install 3rd quarter 2019.
- **Union James Drainage Project** – Drains to be scoped and cleaned early Nov. Repairs will be determined after inspection. New gutters and downspouts installed. (REAC item).
- **Fleming Tuck Point** – Envelope condition to be evaluated. RFP issued for consultants. The scope of work for the tuck pointing will be determined after evaluation. Design of the bracing of the parapet walls and chimneys to begin Nov 12 for construction in 2019.
- **Gilman Ct Renovation Project** – On hold due to funding.
- **12th Ave Arts Bldg. Lobby Revitalization Project** – Theater lobby acoustic improvement project in progress.

Building Operations:

From the Finance report: Year to date October 31, 2018 Blended Operating Statement.

In summary

- October monthly snapshot vacancy was 4.7% (please see notes for details)
- YTD portfolio vacancy rate was 3.2%
- 12 month rolling vacancy was 2.9%

Resident Services for September 2018

Rental Assistance:

- 6 residents applied
- 1 residents attended Financial Fitness Bootcamp
- 3 residents received rental assistance
- \$1179 total rental assistance granted

Service Referrals:

- 70 total service touches
- 58 total service connections
- 12 non-referral-based meetings (1:1 and relationship building)

Community Events:

- 10 events

Denials and Withdrawals

Denials	<i>Results Pending</i>
Withdrawals	<i>Results Pending</i>

60 days or > Vacancy HUD

Building	Average	# of Units to Date	Reasons
Bayview Tower	170	3	<ul style="list-style-type: none"> • Units vacant before CHH started management. Received incomplete waitlist from prior management.
El Nor House	106	2	<ul style="list-style-type: none"> • 8.27.18-List of applicants interested in unit. • 10.18.18-Scheduled lease signing with top candidate. • 10.22.18- Applicant did not show up to appointment. SM called and left message information applicant they had to call back to keep the unit. • 10.23.18- Applicants social worker called back to inform SM that applicant was currently in the hospital and will not be moving into unit. • 10.30.18- Started taking applicants again.
Elizabeth James House	61	1	<ul style="list-style-type: none"> • 8.31.18-Applicant move out. • 9.12.18-Clean up finishes, applicants ready for review. • 9.21.18 United paint job complete. • 10.31.18 New applicant moved in.

60 days or > Vacancy HUD (continued)

Building	Average	# of Units to Date	Reasons
Haines Apts (AAA)	288	1	<ul style="list-style-type: none"> • 1/17/18-9.18.18 long list of applicants sent in applications only to be denied for a multitude of reasons from not being correct income level, not having the correct amount of references or no call no shows. • 10.31.18-Applicant accepted and moving in.
Helen V Apts	162	1	<ul style="list-style-type: none"> • 5/9/18-Applications sent in. • 5.15.18-No response from HH. Removed from waitlist • 7.26.18-Received interest from application, called back only to get voicemail. Applicant removed from waitlist. • 10.19.18 Applicant moved into unit.
Mary Ruth Manor	93	1	<ul style="list-style-type: none"> • 8.9.18-9.11.18Maintance needed after move out. Painting walls, floor remodel, pest control and new appliances added. • 9.11.18 Intake paperwork received from applicant. • 9.12.18 applicant approved and scheduled for move in on 11.1.18.
Ponderosa Apts.	107	2	<ul style="list-style-type: none"> • 8.13.18-Past tenant moves out. Unit will need to be painted, carpets cleaned and will need a deep cleaning w/ pest control. • 8.24.18- Bed Buf elimination process started today, will need three additional treatments. • 9.21.18- Last beg bug treatment scheduled for today. • 9.22.18 Unit ready. • 8.23.18- Unit ready, applications sent in. All denied for multiple reasons i.e. could not contact due to inaccurate call back number/ voicemail box not set up. • 9.7.18- Applicant viewed unit and sent in application paperwork. • 9.13.18- Waiting on applicant to provide missing information before moving forward. • 10.23.18-Applicant moved into unit.
Silvian	101	1	<ul style="list-style-type: none"> • 8.13.18-Applicant has viewed unit and send in application. • 8.26.18-Applicant denied/ failed to send in required information. • 10.2.18- Applicant moving in on 10.21.18

60 days or > Vacancy Non- HUD

Building	Average Days	# of Units to Date	Reasons
410 Apts.	63	1	<ul style="list-style-type: none"> • 10.1.18-Unit relaunched • 10.16.18-Sent in income verification from applicants' employer. • 10.27.18- Applicant approved and will be moving in 12.7.18
Bremer	207	2	<ul style="list-style-type: none"> • 8.20.18-New Applicant. MOCO submitted. • 8.30.18-Applicant denied, failed to provide 3 references. • 9.17.18- Unit relaunched • 10.29.18-Received application from HOH. • 9.20.18-Applicant sent in application • 9.25.18-Applicant denied, over income. • 9.27.18-Unit relaunched.
Brewster	92	2	<ul style="list-style-type: none"> • 10.23.18-Received initial application • 10.23.18- Submitted application • 10.28.18- Application approved. Tenant to move in 10.30.18
Centennial	92	1	<ul style="list-style-type: none"> • 10.30.18- Unit relaunched.
Devonshire	88	1	<ul style="list-style-type: none"> • 10.1.18-Unit relaunched. • 10.9.18- Showing unit to list of applicants. • 10.12.18-Applicant no called no showed. • 10.14.18- Applicant removed application due to size of unit. • 10.16.18Applicant denied due to income verification. • 10.30.18-Applicant approved. Due to scheduling conflicts lease signing put off until 11.5.18
Fleming	61	1	<ul style="list-style-type: none"> • 8.21.18- Unit launched 50% AMI. • 8.31.18-Applicantions received.
Jefferson	141	1	<ul style="list-style-type: none"> • 7.20.18-viewing scheduled for 8.3.18. • 8.3.18-Received application. Currently undergoing screening. • 8.16.18-Submitted applicants file for compliance review/ • 10.10.18-Applicant approved for move in. • 10.24.18-Applicant signed lease. Scheduled for move in 11.1.18.

60 days or > Vacancy Non- HUD (continued)

Building	Average Days	# of Units to Date	Reasons
Joe Black Apts.	158	2	<ul style="list-style-type: none"> • 7/13/18-Prospect declined not enough square footage. • 7/13/18 Prospect no called no showed. • 9/27/18-MoCo verification has been sent, waiting on return. • 7.13.18- Applications received 9.27.18-Applicant missed viewing due to family death. 10.31.18-Unit is getting a paint job.
Oleta	61	3	<ul style="list-style-type: none"> • 9.24.18-Hold for rodent mitigation/reconstruction.
Pantages	61	1	<ul style="list-style-type: none"> • 7/23/18-Third round of HH IDs sent to SM for name ups. • 9/13/18-All verifications complete, application sent to compliance for acceptance. • 10.31.18- HH ID sent to SM for name ups.
Squire Park	297	4	<ul style="list-style-type: none"> • 7/23/18-Rent Increase. • 9/17/18- Relaunched MKT Rent. • 8/29/18- Applicant declined due to balance owed to current landlord and legal notices. • 9/17/18-Unit relaunched
Villa Apts.	117	1	<ul style="list-style-type: none"> • 8.31.18-Moco application approved. • 9.18.18 Income verification approved. • 10.26.18 Applicant moved into unit.

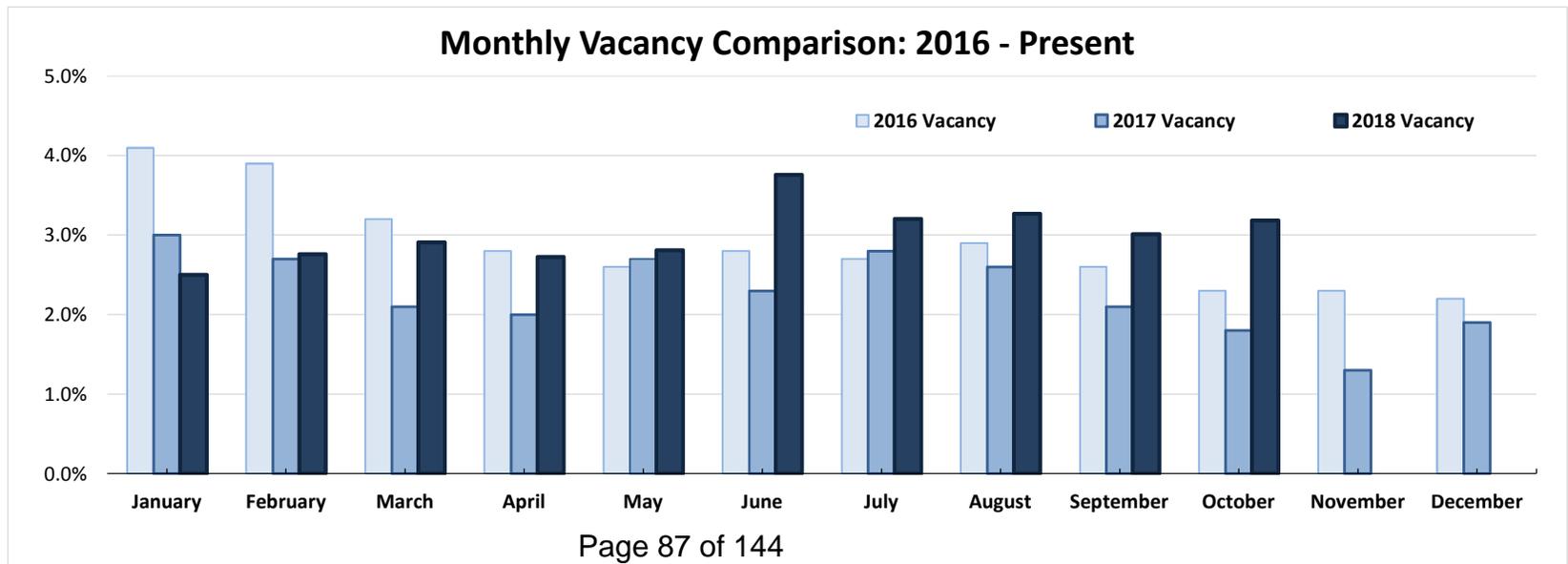
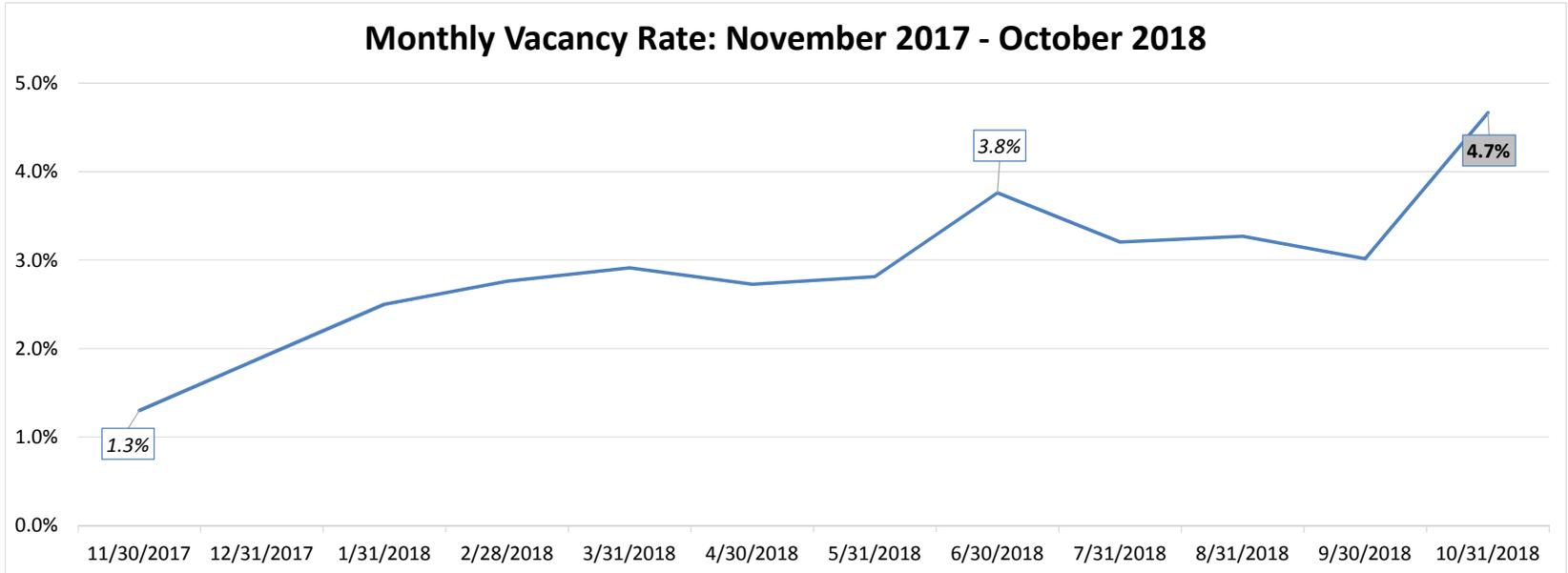
*Applicants have 72 hours to enter in to a lease agreement, move-in must occur within 14 days.

**Capitol Hill Housing
Property Management Dashboard
Year to Date at October 31, 2018**

Blended Component Units:	Portfolio Manager	Unit Count			YTD 2018 Income Per Unit			YTD 2018 Op expenses B4 Debt Cost Per Unit			12-Month Rolling Avg.		2018 YTD Cash Flow after debt and reserves						
		Affordable	Market	Total	Actual	Budget	Var %	Actual	Budget	Var %	Make Ready	Total Turn Time	Oct. 2018 Monthly	12 MO Rolling	2018 YTD	2017 Vacancy	Actual	Budget	Variance
Nelda	12		12	7,934	7,795	2%	6,930	6,620	-5%	45	47	0.0%	1.0%	0.9%	1.4%	976	3,010	(2,034)	
Colby	30		30	9,448	9,467	0%	6,966	7,322	5%	13	51	0.0%	0.7%	0.8%	0.8%	8,195	(1,902)	10,097	
Colby	49		49	7,426	7,663	-3%	4,793	4,875	2%	27	120	4.1%	5.4%	6.1%	2.6%	46,539	44,904	1,634	
Colby	35		35	7,575	7,054	7%	4,838	5,453	11%	14	117	6.3%	2.9%	2.9%	6.8%	46,993	7,222	39,770	
Nelda	3	2	5	11,262	10,764	5%	6,157	6,721	8%			0.0%	-0.1%	0.0%	0.2%	13,773	8,464	5,309	
Skye	15		15	10,503	10,524	0%	7,751	7,644	-1%	13	122	7.3%	4.5%	5.4%	0.7%	12,007	13,941	(1,934)	
Colby	12		12	9,541	9,624	-1%	8,598	8,641	0%			0.0%	0.0%	0.0%	1.1%	379	860	(481)	
Skye	3	2	5	13,869	13,473	3%	6,429	7,786	17%			0.0%	0.0%	0.0%	0.0%	24,181	12,640	11,541	
Colby	21	9	30	9,924	10,076	-2%	4,760	5,076	6%	14	52	25.2%	5.1%	6.0%	2.7%	49,938	45,132	4,806	
Asia	62		62	7,884	7,940	-1%	5,789	5,634	-3%	12	60	1.0%	2.4%	2.8%	2.3%	36,191	49,294	(13,103)	
Valencia	9		9	10,664	11,282	-5%	7,158	6,850	-4%	176	242	0.0%	7.7%	6.9%	2.5%	(12,804)	(4,468)	(8,336)	
Asia	55		55	8,904	8,932	0%	6,640	6,552	-1%	19	71	2.4%	1.8%	2.1%	2.8%	23,989	18,009	5,979	
Nelda	60		60	8,618	8,551	1%	5,926	6,000	1%	24	66	3.3%	2.3%	2.6%	1.5%	33,584	11,207	22,377	
Colby	36		36	7,750	7,862	-1%	5,300	4,662	-14%	16	55	4.1%	3.3%	3.7%	0.3%	6,363	33,357	(26,994)	
Nelda	6		6	7,821	7,839	0%	6,191	5,748	-8%	15	62	16.9%	2.7%	3.4%	1.8%	1,447	4,215	(2,768)	
Colby	12		12	12,921	12,895	0%	8,689	9,643	10%	76	91	16.8%	2.8%	3.4%	0.6%	24,969	7,776	17,194	
Skye	7	5	12	21,922	22,091	-1%	12,432	13,421	7%	8	48	0.0%	1.8%	2.1%	2.0%	51,005	41,163	9,843	
Skye	25		25	10,933	10,692	2%	7,719	8,725	12%	10	51	0.0%	0.6%	0.0%	1.1%	47,605	16,440	31,164	
Nelda	19		19	17,486	16,239	8%	9,250	9,159	-1%			0.0%	0.1%	0.0%	0.1%	48,137	26,965	21,172	
Nelda	16		16	21,003	21,243	-1%	7,025	8,305	15%			19.3%	1.6%	1.9%	0.2%	104,567	90,075	14,493	
Skye	38		38	15,206	15,156	0%	6,604	6,630	0%	30	69	1.3%	4.5%	4.5%	3.7%	191,136	188,276	2,860	
Asia	16		16	12,463	12,017	4%	8,087	8,964	10%	30	171	0.0%	3.1%	2.9%	5.5%	48,205	27,059	21,145	
Colby	24		24	10,455	11,287	-7%	9,451	9,148	-3%	128	191	17.4%	9.4%	11.2%	1.7%	(11,385)	17,735	(29,120)	
Colby	27		27	7,225	7,071	2%	4,695	5,460	14%	20	68	0.1%	0.6%	0.7%	1.4%	33,647	8,919	24,728	
Colby	33		33	8,746	8,687	1%	5,685	6,007	5%	25	49	1.4%	1.7%	1.7%	1.9%	82,731	70,162	12,569	
Nelda	29		29	8,400	8,462	-1%	5,237	5,325	2%	0	91	3.9%	1.8%	2.0%	2.3%	(1,470)	(2,201)	731	
Nelda	20		20	20,114	19,872	1%	7,722	8,807	12%		93	7.7%	3.9%	3.9%	3.6%	93,432	66,895	26,537	
Nelda	4		4	9,714	9,473	3%	5,503	6,917	20%			0.0%	-0.1%	0.0%	0.4%	11,775	5,156	6,618	
Asia	30		30	7,560	7,577	0%	5,323	5,875	9%	11	56	0.0%	3.2%	3.5%	1.8%	35,210	19,158	16,053	
Skye	12		12	10,262	10,099	2%	6,851	7,231	5%	11	55	6.7%	1.3%	1.5%	1.6%	13,565	7,047	6,518	
Colby	34		34	7,616	7,928	-4%	5,442	4,907	-11%	29	71	14.9%	6.2%	6.4%	3.4%	(28,817)	12,650	(41,467)	
Skye	20	10	30	12,416	12,027	3%	7,220	8,152	11%	14	60	3.9%	1.0%	1.8%	3.8%	102,696	63,067	39,630	
Valencia	23		23	7,654	7,678	0%	6,170	6,100	-1%			7.4%	2.4%	2.9%	0.1%	22,056	24,238	(2,182)	
Nelda	32		32	8,920	9,111	-2%	6,241	6,755	8%	67	96	3.0%	0.8%	1.0%	0.2%	26,576	23,693	2,883	
Asia	24		24	11,580	11,395	2%	8,164	7,600	-7%	60	168	0.0%	7.0%	7.4%	6.9%	(8,785)	393	(9,178)	
Asia	62		62	10,091	9,867	2%	6,043	6,003	-1%	17	55	0.8%	1.3%	1.3%	1.4%	41,548	44,954	(3,406)	
																	1,220,155	1,005,506	214,649
Discrete Component Units:																			
Colby	44		44	8,569	9,499	-10%	6,557	7,083	7%	15	73	3.2%	1.7%	3.0%	1.7%	27,349	45,178	(17,829)	
Skye	18		18	9,309	9,585	-3%	6,723	6,733	0%	16	66	0.0%	2.0%	2.3%	0.4%	(5,066)	(280)	(4,786)	
Asia	30		30	9,369	9,480	-1%	5,908	7,005	16%	6	161	3.2%	4.0%	4.6%	3.5%	(14,342)	5,212	(19,555)	
Skye	30		30	9,752	9,656	1%	5,066	5,133	1%		45	0.2%	0.1%	0.5%	1.9%	32,278	27,385	4,893	
Asia	40		40	10,830	11,085	-2%	6,920	6,675	-4%	26	85	6.7%	4.6%	4.8%	0.6%	(9,363)	10,656	(20,019)	
Colby	49		49	8,381	8,749	-4%	7,064	6,219	-14%	50	81	3.7%	2.9%	3.2%	0.8%	(24,118)	36,522	(60,640)	
Skye	32		32	10,749	9,802	10%	6,600	5,923	-11%	33	93	2.8%	4.3%	5.0%	0.5%	32,855	25,176	7,680	
Valencia	31	29	60	16,695	16,684	0%	7,011	7,076	1%	11	72	3.6%	2.9%	3.1%	4.5%	161,600	157,189	4,411	
Valencia	88		88	9,589	9,462	1%	4,635	4,860	5%	10	27	2.0%	1.2%	1.3%	1.6%	110,709	79,813	30,896	
Asia	30		30	8,636	8,375	3%	6,572	6,796	3%	31	138	15.5%	5.7%	5.1%	5.2%	50,980	36,462	14,518	
																	362,880	423,313	(60,433)
Portfolio Totals		1307	57	1364	10,216	10,209	0%	6,329	6,471	-2%	26	78	4.7%	2.9%	3.2%	2.3%	1,583,035	1,428,819	154,216

Explanation of select properties with high vacancies or large vacancy increases:

- Brewster - two vacancies in Oct.
- Burke Gilman Gardens - one vacancy in Oct. (2-bdr unit with higher rent)
- Centennial - two vacancies in Oct. Late processing of both Move Outs - roughly 3 months of vacancy posted in Oct. on both units
- Four Ten - one vacancy in Oct.
- Four Twelve - two vacancies in Oct.
- Hazel Plaza - concessions over several months due late recertifications posted in Oct. for three units
- Joe Black - four vacancies in Oct.; all 3-bdr units with higher rents. Each requires general turnover maintenance repairs and clean up.
- Oleta - five vacancies Oct. Two vacancies related to rodent infestation
- Ponderosa - two vacancies in Oct. (one was filled late in the month). Waitlist challenges
- Unity Village - two vacancies in Oct (vacancy posted from prior periods in Oct.)



MSP Capital/Maintenance Project Report October 2018

Villa Apt Commercial Water Meter Installation

- Scope – Install remote reading water meters for the four commercial spaces.
- Status – Complete.

Elizabeth James HVAC Upgrade Project

- Scope – Install heat pumps to preheat the domestic water system, install heat pump in place of the baseboard heaters in the recreation room, and clean unit bath fans and set for 30 CFM.
- Status – Complete and commissioned.

Elizabeth James Reroof Project

- Scope – Tear off and install new SBS system in preparation for installation of solar panels.
- Status – Received 3 bids. Award on hold until HUD loan approved.

Elizabeth James Water Savings Project

- Scope – Replace all toilets, aerators, and shower heads for water conservation.
- Status – Project delayed while waiting for toilets. Not available from mfr.

Elizabeth James Lighting Retrofit Project

- Scope – Replace all common area and exterior light fixtures.
- Work in progress.

Miller Park Reroof Project

- Overlay existing roof.
- Status – Complete.

Helen V Reroof Project

- Scope – Overlay existing roofing system.
- Status – Complete.

Seneca Envelope Maintenance Project

- Scope – Reseal all joints, repair cracks/damaged EIFS, and recoat.
- Status - Complete.

12th Ave Arts Theater Lobby Acoustics Project

- Scope – Install carpet, acoustic panels, and door seals.
- Status – Painting complete. Scheduling carpet install.

Oleta Projects

- Deck Replacement Scope – Demo deck to access foundation wall for inspection.
- Deck completed.
- Apt 201/202 Renovation – Demo and reconstruct after rodent inspection and eradication.
- Status – Demo in complete. Design in progress.
- Front Entry Hand Rail Installation (life/Safety issue).
- Ready to bid.

Broadway Crossing Paint Project

- Scope – Repaint front canopy, resident deck structures, and trim.
• Status – Design completed. Bid next spring.

Gilman Ct PT Deck Tenon Pocket RegROUT Project

- Scope – Clean out connector pockets, service tenon connections, and regROUT.
- Status – Identified contractor that does this work and waiting for cost proposal.

Gilman Ct Sidewalk Repair Project

- Scope – Repair/Replace damaged sections of sidewalk.
- Status – Design in progress. Will need City of Seattle DOT permit.

Jefferson Boxing Gym Ventilation Project

- Scope – Install fan and louver system.
- Status – Complete.

Fredonia Water Heater Replacement Project

- Scope – Replace existing gas water heater and associated piping, and reinsulate tank and piping.
- Status – Developing scope of work and send for bids mid Nov. Tested for asbestos. No asbestos found.

412 Lighting Upgrade Project

- Scope – Replace common area lighting with LED fixtures.
- Status – Work complete.

Cal Anderson Sprinkler Head Replacement Project

- Scope – Replace recalled sprinkler heads throughout bldg.
- Status – Work to be done week of 11/26.

Seneca Sprinkler Head Replacement Project

- Scope – Replace recalled sprinkler heads throughout bldg.
- Status – Work to be done week of 12/3.

Larned Sprinkler Head Replacement Project

- Scope – Replace recalled sprinkler heads throughout bldg.
- Status – Not started.

Park Hill Pedestrian Safety Install Project

- Scope – Install scaffolding on E. Union side of bldg.
- Status – Install complete.

Fleming Parapet Wall/Chimney Bracing Project

- Scope – Design and install bracing systems for URM bldg. construction.
- Status – Design in progress.

Fleming Parapet Fire Escape Certification Project

- Scope – Inspect fire escape per City of Seattle Fire Department.
- Status – Complete.

Joe Black Indoor Air Quality Project

- Scope – Identify cause of indoor air quality issues, design and install mitigation measures.
- Status – Office of Housing conducted energy audit 9/20. Mitigation approach to be developed after audit results are analyzed. Tested for asbestos. Only asbestos was sink coating. Developing unit drawing and scope of work for unit 16.

12th Ave Arts Bldg Commercial Door Project

- Scope – Repair/replace exterior folding doors in commercial spaces.
- Status – Working to identify appropriate system to install and select design architect.

Lincoln Ct Structural Repairs

- Scope – Install post/beam connectors in basement.
- Status – Design in progress.

Masonry Evaluation at 4 Buildings

- Scope – Evaluate condition of masonry in response to Office of Housing inspection items. Fleming, Oleta, Lincoln Ct., and Berneva.
- Status – Contract issued to Building Envelope Technology and Research.

Union James Remodel Unit 105 (James) Project

- Scope – Address mold and rodent issues.
- Status – Resident not yet vacated.

Fleming Cable TV Wiring Relocation Project

- Scope – Relocated cable TV wiring from exterior of building/repair wire molding.
- Status – After masonry evaluation.

Oleta Cable TV Wiring Relocation Project

- Scope – Relocated cable TV wiring from exterior of building/repair wire molding.
- Status – After masonry evaluation.

Lincoln Ct. Cable TV Wiring Relocation Project

- Scope – Relocated cable TV wiring from exterior of building/repair wire molding.
- Status – After masonry evaluation.

Berneva Cable TV Wiring Relocation Project

- Scope – Relocated cable TV wiring from exterior of building/repair wire molding.
- Status – After masonry evaluation.

Berneva Dormer Roof Repair Project

- Scope – Repair dormer roofs (4).
- Status – Not started.

DECEMBER 2018 FUNDRAISING AND COMMUNICATIONS MEMORANDUM

To: Capitol Hill Housing Board of Directors CC: Christopher Persons

From: Michael Seiwert

Grants and Donations

In the last four weeks, the CHH Foundation received the following grant commitments:

- \$10,000 from Capital One for Resident Services work in 2019. This is the second consecutive year that our Resident Services program has received this grant.
- \$2,500 from the Jasper Family Foundation for general operations.
- \$42,000 from the Local Initiative Support Corporation (LISC) supporting staff capacity around real estate and community engagement. This grant was the result of extensive work by the CHH Foundation team, but funds will flow directly to the PDA.

Grant proposals were declined from the Pride Foundation, USBank and Bank of America.

The CHH Foundation submitted grant proposals including:

- A proposal to 4Culture for \$100,000 for the redesign and upgrade of the lobby of 12th Avenue Arts.

The CHH Foundation will present a check symbolic of 2018 grants to CHH at the January 2019 meeting of the PDA board.

Rise Together Capital Campaign

This month marks one year since the Rise Together capital campaign officially kicked off. It was a year of collaborative learning, adaptation, and some major wins. To date, the campaign has raised \$2,377,900. If the goal is raised to \$25M and includes the Byrd Barr Place Fire Station as anticipated, we will count an additional \$1.5M that BBP received from the State Building Communities Fund toward the campaign, bringing us to a total of \$3,877,900. We currently have additional requests pending or in progress that total nearly \$12M.

Recent grant activity for the Rise Together capital campaign includes:

- Rise Together (RT) leadership met with senior leaders from the Bill and Melinda Gates Foundation to initiate a \$5M request on behalf of the entire Rise Together collaborative.
- RT leadership met with Speaker Frank Chopp to initiate a \$5M local community project request in the 2019 State Capital Budget on behalf of the entire Rise Together collaborative. We will meet with our local legislators to secure co-sponsors in December and submit the formal request to the House Capital Budget Committee and Senate Ways & Means Committee in Q1 2019.
- RT leadership met with Dow Constantine to initiate a \$1M request from the King County Capital Budget on behalf of the entire Rise Together collaborative (likely the 2020 supplemental budget). During the last part of 2018 and early 2019, we will seek to gather support from County Councilmembers on this request.

- Wyncote Foundation NW has invited a proposal for the Rise Together Capitol Hill projects (Union & 14th Senior LGBTQ housing, CH Arts Stabilization Fund, and Boylston-Howell family housing rehab). Wyncote NW has supported Rise Together previously with a \$200,000 investment in the Liberty Bank Building. We anticipate submitting this month.
- Earl's Cuts and Styles was awarded \$70,000 by the Office of Arts and Culture from their Cultural Facilities Fund (CFF), which will likely support the capital campaign goal for Liberty Bank Building commercial tenant improvements.
- The T.E.W. Foundation funded RT's request for \$10,000 to support the construction of affordable commercial space at Liberty Bank Building.
- CHH's proposal to the office of Arts and Culture CFF for \$35,000 to support the Capitol Hill Arts Stabilization Fund was declined.

Proposals still pending include a \$450,000 proposal to the Norcliffe Foundation to support Liberty Bank Building and Africatown Plaza; and a \$120,000 NEA creative placemaking grant to support the CH Arts Stabilization Fund.

Individual Giving

The CHH Foundation participated in GivingTuesday on November 27th. The online day of giving resulted in modest donations, with \$3,368 received, including a \$1,500 donation on an old pledge to the campaign for 12th Avenue Arts. The individual giving committee is discussing any plans for involvement of GivingTuesday in 2019.

Communications

November saw lighter external media coverage on CHH-related work, but all the earned media articles reflected positive coverage for CHH and our partners. Communications supported our community partners on messaging for the lease-up of the Liberty Bank Building, including hiring PR firm Converge Media to assist our partners in fielding ongoing community concerns around the overwhelming demand and phone service issues on November 1. The Communications Team also supported marketing and outreach efforts for the KeyBank grant celebration at the Liberty Bank Building, #GivingTuesday and the End of Year Direct Mailer, including toolkit support for board members, a Facebook event, and email campaigns. We continue to coordinate creation of the CHH Community Report across departments and are on track to mail the report, which emphasizes our partnership work, in mid-December.

We have developed a routine cadence for internal communication venues from our team, shared the plan with CHH's Culture Task Force and CEO for further input while clarifying roles and responsibilities with plan co-leads in other departments. The Rebranding RFP for Key Message work was issued November 9, proposals review is in progress, and the Rebrand Crosscut Group, including a few board members' input, kicked off Monday December 3rd by meeting to discuss work in the next several months. The Communication Team has also been discussing communication needs in 2019 with an eye toward set a focused workplan supporting organization-wide priorities.

November 2018 Capitol Hill Housing Media Coverage		
Date	Article Title	Outlet
11/6/2018	Liberty Bank Building: vision of equitable development, great views of the CD	Capitol Hill Seattle Blog
11/6/2018	A peek at Liberty Bank- Key Bank issues \$300,000 grant to RISE Together	Madison Park Times - corrections submitted
11/13/2018	Midtown: Public Square shaping up with hopes ranging from My Sweet Lil Cakes to Bartell's	Capitol Hill Seattle Blog
11/13/2018	Money for homeless, gang unit, orca study in King County budget set for vote	The Seattle Times
11/13/2018	How would you redesign the Neighbours Alley?	Capitol Hill Seattle Blog
11/13/2018	King County Council Chair McDermott's regional and district priorities pass in County's Biennial Budget	King County Council News Page
11/16/2018	King County Council approves \$100M in affordable housing funds for working class families	Q13 Fox
11/21/2018	Pike/Pine protected bike lanes? Take the survey to help reshape the ride up and down Capitol Hill	Capitol Hill Seattle Blog

**2018 Capitol Hill Housing Budget and Actuals
Updated December 5, 2018**

Unrestricted Budget

Income Source	2018 Goal	2018 Actual	% to Goal
Government	\$ 66,710	\$ 66,710	100.0%
Foundation	\$ 182,150	\$ 98,750	54.2%
Corporate	\$ 201,750	\$ 75,725	37.5%
Individual	\$ 206,000	\$ 226,687	110.0%
Events & Sponsorships	\$ 256,000	\$ 216,885	84.7%
TOTAL	\$ 912,610	\$ 684,757	75.0%

Restricted Budget

Income Source	2018 Goal	2018 Actual	% to Goal
Government	\$ -	\$ -	0.0%
Foundation	\$ 60,000	\$ 35,000	58.3%
Corporate	\$ -	\$ -	0.0%
Individual	\$ 50,000	\$ 25,000	50.0%
Events & Sponsorships	\$ -	\$ -	0.0%
TOTAL	\$ 110,000	\$ 60,000	54.5%

**Combined Budgets
(Restricted & Unrestricted)**

Income Source	2018 Goal	2018 Actual	% to Goal
Government	\$ 66,710	\$ 66,710	100.0%
Foundation	\$ 242,150	\$ 133,250	55.2%
Corporate	\$ 201,750	\$ 75,725	37.5%
Individual	\$ 256,000	\$ 251,687	98.3%
Events & Sponsorships	\$ 256,000	\$ 216,885	84.7%
TOTAL	\$ 1,022,610	\$ 744,257	72.6%

Grants to CHH

	2018 Goal	2018 Actual	Difference
Resident Services Grants to CHH	\$ 111,980	\$ 16,000	\$ 95,980
Sustainability & Planning Grants to CHH	\$ 183,230	\$ 26,108	\$ 157,122
General Operating Grants to CHH	\$ 430,000	\$ 479,750	\$ (49,750)
Total Unrestricted Grants to CHH	\$ 725,210	\$ 521,858	\$ 203,352
Restricted Grants to CHH	\$ 110,000	\$ 60,000	\$ 50,000
TOTAL	\$ 835,210	\$ 581,858	\$ 253,352

DECEMBER 2018 PROPERTY DEVELOPMENT BOARD REPORT AND MINUTES

Property Development Committee Members: Dana Behar, **Rachel Ben-Shmuel**, Andrew Brand, **Paul Breckenridge**, Liz Dunn, **Bob Fikso**

Staff Liaisons to the Board: Chris Persons, Jill Fleming, **Jeremy Wilkening**, **Charles Hall**

Date, time and location of meeting: December 4, 2018 5:30-6:30 pm Belmont Conference Room

Date, time and location of next meeting: January 2, 2019 5:30-6:30 pm Belmont Conference Room

First on the agenda was to review the 2019 meeting times for the committee.

The committee will meet Monthly, First Tuesday of the Month from 5:30-6:30pm
Belmont Meeting Room

- Wednesday, January 2
- February 5
- March 5
- April 2
- May 7
- June 4
- July 2
- August 6
- September 3
- October 1
- November 5
- December 3

The PDC then discussed Lake City and the latest pro forma and the merits and risks of pursuing a limited subsidized workforce project on the site (60-80%-market). First the idea of residential units on the ground floor instead of commercial, as is required by zoning, was discussed. The committee supports staffs effort in pursuing this but believes its going to be challenging to get a variance from the zoning code. There was consensus that if it works the ground floor units should be convertible to commercial. The PDC also suggested staff investigate the viability of live work units and that it might be more palatable to the City.

The PDC then discussed the design of the fit tested building. Comments included:

- A lack of modulation for this long of frontage isn't ideal and modulation will be required
- A question about why the parking is a surface lot and the number of spaces was asked. The reason was to make the building the most efficient.
- That the unit count infeasible for reasons mentioned about.

Finally the PDC discussed the risk profile of a project like this. They suggested staff investigate what requirements the lender would place on CHH, including recourse. It was mentioned that if the investor is required to guarantee the debt there would likely be a premium on the equity IRR. In general the PDC agrees that CHH could take market and other risks and is supportive of continuing to pursue this opportunity. The group suggested that given the differences from leasing and operating market rate

housing and our typical portfolio, that staff investigate 3rd party management; it was even suggested that an investor may require this.

Then the group reviewed Northgate and provided some feedback on potential scenarios as part of the redesign of the site. Current design is an all residential 236 unit building on the South end of the parcel. However this site may become a larger building with grocery, in which case the affordable building would move to the North. Given that this portion of the site is expected to house retail due to its closer proximity to adjoining retail a question of our willingness to house commercial space was discussed. There was strong support that if this scenario happens the build does have retail on the ground floor. The group also supported staff exploring a structure that would have Lowe/Stellar master lease the retail. Jeremy brought up the complications in Station House which the group still suggested this option be explored given the differences between the two partnerships. It was agreed that unlike Station House there needs to be one entity in control of the development of the entire building thru construction, which would likely be CHH/BRIDGE.

Updates for projects are below:

Northgate: Our team was selected and we are working with KC Metro towards a development agreement.

Station House: Construction is on time and within budget.

Liberty Bank Building: LBB is expected to open Feb 4th, and the team is trying to get to a CO by the end of January. Leaseup is back on track.

Eldridge: CHH, Sound Transit, and Seattle Central College are all still working on completing the PSA for the land swap/sale.

Bonanza: The target closing date remains February 2019.

CHP1: OH Funding announcement is expected in the second week of December

Upcoming Resolutions:

Yessler Agreement and Predevelopment Spending

Bonanza Inducement Resolution

DECEMBER 2018 COMMUNITY DEVELOPMENT COMMITTEE BOARD REPORT

Committee members: Derrick Belgarde, Rachel Ben-Shmuel, Sara Cubillos, Eric Snow, Rachael Steward

Staff Liaisons to the Board: Alex Brennan, McCaela Daffern, Steven Sawada, Joel Sisolak

Date, time and location of meeting: March 21, 2019, 1pm, 12th Avenue Arts, 1620 12th Ave, Seattle

The Community Development Committee (CDC) last met on October 4th. During the past month, staff continued to advance projects. 2019 work planning is underway.

Community Development on Capitol Hill (EcoDistrict):

- ***EcoDistrict Steering Committee:*** Recent changes to the Committee include the addition of Josh Curtis (Seattle Audubon) and departure of Claudia Moon (UFCW27 and Central Co-op).
- ***Certification:*** At the November 9th Capitol Hill EcoDistrict Steering Committee meeting, members approved the Capitol Hill EcoDistrict Imperative Commitment.
- ***LGBTQ-Affirming Senior Housing:*** We plan to submit a funding application to the Seattle Office of Housing in fall 2019. This project is also part of the Foundation's Rise Together capital campaign. We are building on the design work that was carried out over the last year. We are also taking advantage of current work by CHH staff and our architects at Environmental Works to explore opportunities to integrate active design elements into the building. We are meeting with Executive Directors of LGBTQ organizations to develop a decision making and community engagement process for the project.
- ***Pike/Pine Protected Bike Lane (PBL):*** Seattle City Council committed to installing PBLs by the end of 2019. To prepare for this investment, we have joined together with other community groups to establish a shared vision for the lane design. This fall, we supported outreach and co-produced a community design workshop. We will solicit input through the end of the year.
- ***Capitol Hill Neighborhood Design Guidelines:*** The work group who advised the City on an update to the Capitol Hill Neighborhood Design Guidelines will reconvene in early January to consider the City's edits and provide final comments before the guidelines are transmitted to Council.
- ***Capitol Hill Public Life Study:*** CHH staff will work with planning students at the University of Washington to study public spaces and public life in Capitol Hill. We have received a financial commitment from the Scan/Design Foundation to support a study trip to Denmark and will recruit a delegation in Q1 of 2019.
- ***Capitol Hill Renter Initiative (CHRI):*** In November, CHRI brought presenters from a tenants rights group in the U District to talk about their challenges and organizing strategies and heard from the Washington Housing Alliance Action Fund about the upcoming state legislative session. In December, CHRI is encouraging members to attend the Neighbours Alley Holiday Part on December 13.

- **Mandatory Housing Affordability (MHA):** In November, the Seattle Hearing Examiner issued a decision upholding most components of MHA. Council anticipates hosting a public hearing in late February and voting on the citywide legislation in March. Seattle City Council is also planning to develop a companion resolution that addresses issues outside of the rezone process, that have been raised during MHA community engagement. CHRI leadership remain interested in working for MHA adoption in Capitol Hill. We will also be looking at companion legislation opportunities related to Capitol Hill.
- **Alley Community Redesign:** At the alley design workshop on November 13 community members engaged with the project and gave feedback on the future of the alley. We also launched an online survey about the alley and have received over 200 responses. We will test out activation strategies in the alley at an event on the evening of December 13, which will include bowling, arts and crafts projects, donated food and warm beverages, lights and music. We are also working with our design consultants on a final vision report for the alley summarizing the findings from this year's community engagement, research, and testing.
- **Pesticide Free Park:** We are partnering with Audubon, Northwest Center for Alternative to Pesticides (NCAP), Cal Anderson Park Alliance (CAPA) and Seattle Parks and Rec to secure designation of Cal Anderson Park as a Pesticide Free Park. This would be the City's first new designation of a Seattle Park as pesticide-free since 2007.

Community Development Outside Capitol Hill

- **Liberty Bank Building:** Michelle House and team have been working very hard to interview and qualify prospective tenants whom they were able to capture through the leasing hotline queue. At this time, appointments have been filled for the 30% and 50% units, and they are working on scheduling qualified prospective tenants for the studios and 1-bedrooms at 60% AMI. At this time, we have tentatively scheduled the grand opening of LBB, which we are calling a "ribbon cutting," at the end of March after residents move in. Because March is women's history month, following right after Black history month in February, the theme for the event will be a look to the future for the Black community and a celebration and honoring of the women who have helped see this development through from concept to grand opening.
- **Jazz House:** We had a productive Community Engagement Task Force planning meeting in November and are currently working on planning the program and promotion for our February 7, 5:30-7 p.m., community forum at the 2100 building (is home to 12 non-profit organizations and one off-site non-profit organization which connects kids to the community that supports them). At this meeting, we will introduce the project, introduce the task force, and solicit ideas from the community around what they want to see in this development.
- **Northgate:** We won the Northgate RFP with our joint development partners: Lowe, Stellar and Bridge. This new equitable transit oriented development will consist of three buildings, and include a mix of market rate, MFTE, MHA and 4% LIHTC affordable units. Our building will include 232 subsidized units all at or below 60% AMI, with 24 systems connected units at 50% and 30% AMI. On December 11, we will meet with Revisioning Northgate, a new grassroots community group, to discuss their vision for the development and the surrounding area.
- **Lake City:** In January, we will meet with a coalition of community groups known as Building Lake City Together for their community forum focused broadly on how affordable housing is developed. We have been meeting with them, as community members with a developable parcel of land on Lake City Way, to support their community organizing around the Lake City Hub (a new community center they are working to get funding for). We will serve as Subject Matter Expert at

this January meeting to discuss how we do development and some of the complexities of affordable housing.

Community Development Across Multiple Neighborhoods

- ***EcoDistricts Accelerator:*** CHH is drafting an MOU with EcoDistricts™ to partner with local leaders and providers to offer consulting services, technical assistance and capacity building to advance equitable, sustainable districts throughout the region. CHH and EcoDistricts™ will jointly fundraise for this work with grant requests to national and regional funders. As a first step, we co-hosted a Foundations course in November, introducing local practitioners to the formalized process to establish new ecodistricts.
- ***Homeless Outreach Services:*** We partnered with other community organizations to successfully secure funding from the City to reinstate homeless service outreach workers in Capitol Hill and Chinatown/International District and expand the program to First Hill. This resource had been an important program for ensuring our neighborhoods have all the tools to connect people living outside with resources and supported our business and residential community's compassion and desire for a single point-of-contact. We now turn our attention to supporting program rollout.

DECEMBER 2018 EXECUTIVE COMMITTEE BOARD REPORT AND MINUTES

Executive Committee Members: **Robert Schwartz** (Chair), **Shalimar Gonzales** (Vice Chair), **Frank Alvarado** (Treasurer), **Derrick Belgarde** (Secretary), **Cathy Hillenbrand** (Immediate Past Chair)

Staff Liaisons to the Board: **Chris Persons**, **Sarah Shoemake** (taking minutes)
(**BOLD** indicates those members in attendance)

Date, time and location of meeting: Monday, November 26, 2018–5-6:30pm–Belmont Conference Room

Date, time and location of next meeting: Monday, January 7, 2017–Noon-1:30pm–Belmont Conference Room

Minutes

Meeting began at 5:04pm

1. Lead Items

- a. **Length of Board Meetings:** Chris updated the Committee on the impromptu discussion at the November Board meeting regarding potentially extending the length of the normal monthly Board meetings from 1.5 hours to 2 hours. The content and length of the Board Packets was also discussed. The Committee expressed a preference for shorter and more strategic information in the packets. An electronic survey will be sent to Board members in December, including questions about length of meetings, how they use the Board Packet, their engagement in meetings, etc. It will also include a question on preference for the Board meeting to start at 5:30pm or end at 8:00pm.

The Executive Committee suggested that a vote occur at the December Board meeting to increase the length of Board meetings to two hours, starting in January.

It was reiterated from the November Board meeting that there should be no additional items added to the agenda and that strategic questions should be included in the packet to better engage Board members.

b. Property Management Updates

- i. **18 Point Plan:** The 18 Point Plan was briefly reviewed.
- ii. **Union James Real Estate Assessment Center (REAC) Inspection:** Chris gave an update on the response to the low REAC score at the Union James buildings.
- iii. **LBB Lease up Stats:** Chris updated the Committee on the LBB Lease up process, noting that leasing appointments started today at the CHH Office.
- iv. **Oleta Public Records Request:** Chris mentioned that the office received a public records request regarding the Oleta.
- v. **Staff Review:** Per RCW 42.30.110(g), the Committee entered into an executive session to evaluate the qualifications of an applicant for public employment or to review the performance of a public employee. The session began at 5:49 pm. The Committee exited the executive session at 5:59 pm.

2. External Relations, Community Programs, Board Issues

Board Resolutions: Chris noted the following potential Resolutions for review at the December meeting.

- i. Bonanza Bond Inducement
 - ii. Yesler Predevelopment
 - iii. Neighborhood Preference
- b. **Board Development:** Chris reviewed the status of potential Board Candidates and their attendance at future Board Meetings.
- c. **2019 Budget:** Chris explained that CHH Staff support passing the budget in January going forward, due to increased activity in December. Rob suggested adding a proviso to the budget allowing for the budget to extend thru January 2020.
- d. **Scheduling**
- i. **December Executive Committee Meeting:** Chris reminded the Committee that the December Executive Committee Meeting has been rescheduled from Thursday, January 3rd at Noon to Monday, January 7th at Noon.
 - ii. **2018/2019 Review and Preview and Strategic Plan:** The annual review and preview presentation will be given to the Board in January, when the Strategic Plan draft will be more complete.

3. Development and Acquisitions

- a. **Project Development:** Chris updated the Committee on various projects in the pipeline including Northgate, Yesler Terrace and CHP1.

4. Other

- a. **Committee Development:** Frank asked about Board Committee development to ensure there is involvement and attendance from multiple Board members, specifically on the Finance and Asset Management Committee. Chris noted that he would like at least one of the potential new Board member to join that Committee, and that he and Sarah will look into Committee members and attendance.
- b. **CEO Annual Review:** A new evaluation system is currently being finalized by HR Staff. The CEO Annual Review will be discussed at the January 7th Executive Committee for full Board discussion at the January and February meetings.

Meeting ended at 6:34pm.

DECEMBER 2018 JOINT BOARD DEVELOPMENT COMMITTEE BOARD REPORT AND MINUTES

Joint Board Development Committee Members: **Margaret Pak Enslow** (Foundation Secretary), **Shalimar Gonzales** - Committee Chair (PDA Member), **Cathy Hillenbrand** (PDA Member), **Alice Quaintance** (Former PDA Member), Randy Robinson (Foundation Member)

Staff Liaisons to the Board: **Michael Seiwerath, Sarah Shoemake**
(**BOLD** indicates those members in attendance)

Date, time and location of meeting: November 14, 2018 – 4-5pm – Belmont Conference Room

Date, time and location of next meeting: January 30, 2019 – 4-5pm – Belmont Conference Room

Meeting began at 4:11pm.

- 1. 2019 Meeting Schedule:** The Committee reviewed the proposed 2019 meeting schedule and noted they would like to keep the meeting every other month, with the possibility for more meetings between to support the continuation of various projects. It was also noted that there should always be a call-in option for those who are not able to attend in person.
- 2. Board Book Gift:** Margaret notified the Committee that she intends to donate another book this year to all Board members. The Committee brainstormed potential books, which developed a main theme of racial equity. It was suggested that the book connect to a Board training and potentially have a Board Book Club. The book will be mailed to members of both Boards from the Joint Board Development Committee. Sarah will coordinate with Margaret to mail the books.
- 3. Board Professional Development/Training:** Sarah will investigate the HDC Racial Equity Toolkit currently in use by CHH Staff to see if there are potential Board training opportunities.

The Committee revisited the idea of connecting the PDA Emerging Leader Fellow, Sara Cubillos, with a mentor from the PDA Board. Sarah will reach out to the suggested members.

- 4. Board Development:** Sarah gave a brief update on PDA Board member candidates as well as potential current members exiting the Board.

Michael updated the Committee on Foundation Board Candidate Cassandra Mitchell, KeyBank's VP and Corporate Responsibility Officer for Washington. He is scheduled to meet with her and Foundation Chair Deirdre Doyle later in November to discuss her membership. She would potentially join the Foundation Board at the January meeting.

5. Social Event Ideas

- a. **Building Tours** – Sarah will connect with CHH Staff Steve Sawada about scheduling Board member tours at the Liberty Bank Building Site. It was noted that the Committee will revisit the idea of additional building tours to take place in the Spring or Summer.

The Foundation Board did an optional building tour at Lincoln Court after the Summer Board Meeting, with seven participants. When another building tour is scheduled, both Boards are to be invited. Cathy suggested having a tour of buildings to celebrate or highlight work. For example, the Villa was built 100 years ago and could have a tour to celebrate that milestone.

- 6. Techniques other Boards use to recruit diverse Board Members:** The following were recruitment suggestions: Make sure the Board is trained, be more visible/go meet people, personal connections.

Meeting closed at 5:00pm.

Memorandum

From: Chris Persons CEO
To: CHH Board of Directors
Date: December 10, 2018

Re: Vote to continue operations in-lieu of adopting the annual budget

The purpose of this memo is to provide for the on-going operations of CHHIP during the period from the expiration of the 2018 Budget until the adoption of the 2019 Budget at the January 14 regular meeting of the Board. By adopting the consent agenda, the Board authorizes the continuation of the budget as detailed below.

- 1) **Seattle Municipal Code 3.110.200 - Council concurrence required** establishes that *General or particular authorization or concurrence of the council by resolution shall be necessary for [the] G.* Adoption of an annual budget;
- 2) The 2019 Budget will not be presented to the full Board for its concurrence before the January 2019 Board meeting;
- 3) The Board by adopting this consent agenda authorizes the continuation of organizational operations under the framework of the 2018 budget until the 2019 budget is adopted on January 14, 2018 at the Board's regularly scheduled meeting.

Capitol Hill Housing Improvement Program

Finance Policies

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1 Organizational Structure

Capitol Hill Housing Improvement Program (CHH) is a public corporation chartered in 1975 under Washington state and municipal law as a public development authority. As stated in its Charter, “the purpose of the Program shall be to assist homeowners, property owners, residential tenants and residents of the Capitol Hill community in preserving, improving and restoring the quality of their homes, property and neighborhood, and to provide additional housing, cultural, social and economic opportunities and facilities.” CHH may also provide these services, activities and facilities outside of Capitol Hill.

1.1 Board of Directors

CHH is governed by a Board of Directors that is responsible for, among other things, assuring CHH has adequate financial resources to implement programs and projects consistent with its mission. The Board of Directors provides oversight of CHH’s financial operations including its systems for financial monitoring, internal controls and reporting for all operations of CHH and its affiliates. The Board reviews financial statements at least quarterly.

1.2 Finance and Asset Management Committee

The Finance and Asset Management Committee (FAMC) reviews financial statements monthly, monitors cash flow and cash projections, reviews the CHH organizational budget and approves the budget subject to ratification by the Board of Directors. The Committee reviews and recommends Finance Policies for approval by the Board. This Committee reviews overall financial performance and provides advice and counsel to staff.

1.3 Audit Committee

The Audit Committee is responsible for selecting the independent auditor(s) for the annual audit of CHH as well as the separate audits of its affiliates as required by various organizational, regulatory and loan agreements. The Finance Committee may fulfill the Audit Committee function with the addition of the Board President. The Audit Committee meets with the auditors for the entrance and exit conferences and communicates directly with the independent auditors as needed. The Audit Committee also meets with the State Auditor at the beginning and conclusion of their audit. See also **Audits and Tax Preparation**.

1.4 Finance Department Roles & Responsibilities

Key positions comprising the Finance department as of 2018 and referred to throughout the Policies are as follows:

- Senior Vice President/Deputy Director (SVP)
- Vice President of Finance (VPF)
- Manager of Accounting
- Senior Staff Accountant
- Staff Accountant
- Accounting and Administrative Clerk

Other employees of CHH who have financial responsibilities as referred to throughout this manual are as follows:

Chief Executive Officer (CEO)
Vice President of Organizational Performance (VPOP)
Vice President of Real Estate Development (VPRED)
Senior Director of Property Management (SDPM)
Portfolio Manager (PM)
Department managers
Program managers

The titles and/or positions may change over time but it is anticipated that the responsibilities will remain in a similar position.

The Finance Department's major areas of responsibility include budget management, payroll, assets, accounting, debt management, investments, compliance with laws and regulations, financial planning and financial reporting.

1.5 Housing Affiliated Entities

The Housing Affiliates own affordable housing similar to the affordable housing owned directly by CHH. CHH is the general partner or managing member in a number of limited partnerships and limited liability companies that own affordable housing. CHH controls several nonprofit corporations that own affordable housing through common board members. The separate ownership structures are a result of the financing structure and/or the regulatory environment at time of acquisition. The LPs and LLCs may have an unrelated investor limited partner or investor member. In addition there are CHH owned buildings that are treated as Housing Affiliates due to HUD regulations.

All transactions between the Housing Affiliates and CHH are handled as third party transactions. CHH may provide property development, property management and partnership management services to the Housing Affiliates. Fees charged for such services are in accordance with the partnership, management, regulatory and loan agreements. Reimbursements from the Housing Affiliates to CHH for expenses paid by CHH on their behalf are at cost and are not marked up.

CHH is responsible for all financial reporting for the Housing Affiliates. CHH maintains the accounts and records for the Housing Affiliates in accordance with the specific requirements of funders, regulators and investors. Depending on the organizational structure, the Housing Affiliate may be accounted for using Financial Accounting Standards or Governmental Accounting Standards.

1.6 Other Affiliated Entities

Other entities affiliated with CHH include a 501(c) (3) supporting organization, CH Development Association (CHDA), entities created to facilitate commercial development and the Capitol Hill Housing Foundation (CHHF). CHH is responsible for all financial reporting for the Other Affiliates with the exception of CHHF. CHHF's board is independent of the CHH board. CHHF maintains its own books and records. The primary transactions between CHHF and CHH are grants in support of CHH and reimbursements from CHHF to CHH. The relationship between CHHF and CHH is governed by a Memorandum of Understanding. Reimbursements from the Other Affiliates to CHH for expenses paid by CHH on their behalf are at cost and are not marked up.

2 Business Conduct

2.1 Ethical Behavior & Conflicts of Interest

Finance staff are expected to conduct themselves consistent with CHH Ethics and Conflict of Interest Policies (adopted February 14, 2005), available from the Human Resources Department. All employees must sign an acknowledgement of receipt of the Ethics and Conflict of Interest policy annually.

2.2 Required Vacations

All Finance staff and Management Team members are required to take vacation leave of at least 5 consecutive days annually.

2.3 Compliance with Laws, Regulations & Organizational Policies

Refer to CHH Employee Handbook, available from Human Resources Department. All employees must sign an acknowledgement of receipt of Personnel Policies.

2.4 Disciplinary Action

Failure to comply with the standards contained in this policy or with any relevant law will result in disciplinary action that may include termination, referral for criminal prosecution, and reimbursement to CHH or to the government for any loss or damage resulting from the violation.

3 Antifraud Policy

CHH and its board, management, employees and volunteers must, at all times, comply with all ethical principles and policies of the organization and all laws and regulations governing the activities of the organization.

Management is responsible for assessing the risk of fraud and implementing appropriate anti-fraud programs and controls to reduce that risk to an acceptable level. This includes creating, implementing and monitoring a strong system of controls, including continually seeking ways to increase security in the organization's computer, recordkeeping and payment systems. Management will train employees to be alert to warning signs of fraud and unethical behavior and provide a system for reporting such matters. (See also Employee Handbook Section 8.9 Reports of Potential Wrongdoing). Such training will occur at least annually. The Finance Committee and the Board are responsible for evaluating management's identification of fraud risks, implementation of anti-fraud measures, and creation of the appropriate "tone at the top." This includes creating, demonstrating and maintaining a culture of honesty and high ethical standards. The Finance Committee will assess fraud risks (including management fraud) and related risks that may occur within the organization. This includes establishing and monitoring appropriate policies, procedures and controls designed to mitigate or eliminate the risk of fraud and abuse. A report regarding such fraud risks and actions taken must be made to the board at least annually.

4 Security

Blank check stock is secured in locked cabinets or another appropriate secure manner. Access is controlled by the Vice President of Finance. Checks may only be printed on a designated printer with access limited to accounts payable and payroll personnel.

Payroll, benefits and other confidential employee records are secured in locked files or locked offices. Such records are accessible only to the Finance staff directly involved in the preparation of payroll, Human Resources department staff, SVP, CEO and VPOP.

The general ledger accounting software is accessed with user ids and passwords issued by the Accounting Manager. The Accounting Manager and VPF determine the level of access to the general ledger based on job responsibilities and internal control considerations.

Access to the secure section of the Finance & Accounting Folder on the CHH server is authorized by either the Vice President of Finance or SVP. Files that contain sensitive information are to be stored in the secure section of the Finance & Accounting Folder. Determination of what is deemed sensitive is made by the Accounting Manager or VPF. Files may be password restricted in addition to being located in the secure section.

5 Budget

5.1 Preparation

In order to ensure that planned activities minimize the risk of financial jeopardy and are consistent with Board approved priorities, long term organization goals and objectives, and to be in compliance with state law, management shall:

- Submit operating and capital budgets to the Finance Committee in time for reasonable approval by the Board prior to each fiscal year.
- Use responsible assumptions and projections, with a general goal of an operating surplus but in no event proposing a deficit.

The Budget cycle begins in August with an in depth analysis of rent levels by Property Management. Budget assumptions are developed in September and early October. Budgets by building and by department are drafted by the end of October and consolidated. Building budgets are reviewed by the Asset Management Committee. The consolidated budget is reviewed by the Finance Committee. The draft consolidated budget is presented at the November board meeting and submitted for final approval by the board at the December board meeting.

In accordance with the Charter, Management will also present the budget at the Annual Meeting.

5.2 Monitoring

The Board will compare actual revenue and expenditures to budget at least quarterly and decide on actions to bring the budget into balance, if necessary.

6 General Ledger and Chart of Accounts

The general ledger is the primary information repository for CHH's business activities and financial condition. Accordingly, the general ledger's financial encoding structure and values, its chart of accounts, must be maintained accurately to maintain the integrity of CHH's financial reporting.

6.1 Control of Chart of Accounts

CHH's chart of accounts is monitored and controlled by the under the direction of the Vice President of Finance . Responsibilities include the handling of all account maintenance, such as additions and deletions. Any additions or deletions of accounts should be approved by the Accounting Manager, who ensures that the chart of accounts is consistent with the organizational structure of CHH and meets the needs of each reporting entity or department and allows for proper tracking of transactions for audit and other statutory reporting.

6.2 Distribution of Chart of Accounts

All CHH employees involved with account coding responsibilities (assignment of, or review of coding) or budgetary responsibilities are issued a current chart of accounts (in full or in part). As the chart of accounts is revised, an updated copy of the chart of accounts is distributed to these individuals promptly.

6.3 Fiscal Year

CHH and its affiliated entities operate on a calendar year fiscal year ending on December 31.

6.4 Journal Entries

It is CHH's policy that all Journal Entries:

- Represent valid approved and supported business transactions
- Be prepared and approved by only authorized employees
- Adhere to U.S. Generally Accepted Accounting Principles (GAAP) or, where there are deviations from U.S. GAAP, have been approved by the VPF or SVP in writing
- Be recorded in a timely manner in accordance with the accounting close schedule

All entries to the general ledger that do not originate from a subsidiary ledger are supported by appropriate documentation, which includes a reasonable explanation and documentation of each entry. Journal entries are prepared and entered by Finance staff. Journal entries are reviewed and approved by a second Finance staff member as outlined in departmental procedures.

6.5 Accounting Estimates

Where it is necessary to make accounting estimates, (management judgments or assumptions in the formulating of account balances in the absence of a precise means of measurement) to fairly state the financial position of CHH, the Vice President of Finance reviews the accounting standards and all relevant information to determine the estimate. Accounting estimates are made in a prudent manner consistent with direction received from the Finance Committee. Examples of accounting estimates include determining the allowance for doubtful accounts, establishing or changing assumptions regarding fixed asset lives.

6.6 Account Reconciliation

Balance sheet (B/S) accounts are reconciled monthly in accordance with the monthly Finance close calendar. Those accounts not reconciled monthly are reconciled annually. Underlying detail, in the form of a sub ledger or schedule must support every B/S account balance, and such detail must be reconciled to the general ledger. Any unreconciled differences must be investigated and resolved, with adjustments

made in a timely manner prior to month end close or annual close. Upon completion of the investigation, any remaining unsupported balance shall be written off.

6.7 Accruals

It is CHH policy to accrue all known incurred expenses over \$1,000 and where the invoice has either not been received or processed through Accounts Payable (A/ P) (see Accounts Payable policy and procedures) or where the expense has not otherwise been recorded.

Accruals must be prepared when an obligation is “likely” to occur and can be “reasonably” estimated.

7 Cash, Banking and Investments

7.1 Cash Management

The Vice President of Finance is responsible for managing and investing CHH and affiliate cash consistent with Section 7.6, and that all loan covenants and partnership or operating agreement requirements are met. The Vice President of Finance is responsible for forecasting cash position. The Finance Committee will review cash position at least quarterly. The Vice President of Finance will review cash position with the SVP/CEO monthly.

CHH and its affiliates hold funds for the following purposes: day to day operations; tenant security deposits; externally restricted funds including building replacement and operating reserves; and internally designated funds. Cash and investments of the affiliates will be maintained in separate accounts and will not be commingled with funds of any other entity.

7.2 Operating Cash

CHH’s operating cash deposits are to be deposited in “qualified public depositories” as identified by the Washington Public Deposit Protection Commission (WPDPC). Cash deposits are to be insured by federal depository insurance as provided by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the WPDPC. The FDIC insures the first \$250,000 of CHH’s deposits (or other amount as adjusted from time to time by federal law or regulation). The remaining balances are insured by the collateral pool.

The affiliates’ cash deposits are maintained in the name of the affiliate in accordance with applicable debt and regulatory agreements. These deposits are to be FDIC insured unless applicable agreements provide otherwise. Affiliate deposits that exceed the FDIC limit are reviewed annually and additional accounts opened if deemed necessary.

7.3 Tenant Security Deposits

Security deposits collected from tenants are held in separate trust accounts insured by the FDIC and maintained in accordance with state law. Each housing affiliate maintains its own trust account.

7.4 Restricted Deposits

CHH and its housing affiliates are required to establish reserves for replacement and building operations in accordance with debt, regulatory or partnership agreements. CHH funds held for such purposes are invested in the Washington State Local Government Investment Pool (LGIP) or in qualified public depositories as identified by the Public Deposit Protection Commission. Housing affiliate reserves

deposits are to be FDIC insured unless applicable agreements provide otherwise. Affiliate deposits that exceed the FDIC limit are reviewed annually and additional accounts opened if deemed necessary.

Required deposits to reserves are made monthly unless otherwise specified in the relevant agreement. Withdrawals are made in accordance with funder requirements which may require written approval in advance of the withdrawal, limit the use of the funds and/or provide for retroactive approval of the withdrawal.

7.5 CHH Designated Funds

CHH funds that are designated by the Board for a specific purpose such as Board Designated Reserves may be invested in the LGIP or deposited with a qualified public depository.

The Board must approve any use of Board Designated Funds.

Funds may be created for various purposes which will be established by resolution and approved by the board of directors.

7.6 Investments

CHH's objectives for investments, in priority order, are safety, liquidity and return on investment. CHH's primary investment vehicle is the LGIP. The LGIP is managed with the same objectives as CHH's in the same order of priority. It is operated in a manner consistent with Rule 2a-7 money market funds, as recognized by the Securities and Exchange Commission (SEC). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities in order to minimize both market and credit risk. CHH may invest in other Rule 2a-7 funds of similar quality as deemed necessary.

CHH may also invest in time deposits or certificates of deposits of up to 3 years maturity subject to Washington Public Deposit Protection Commission (WPDPC) requirements.

The affiliates may invest in time deposits or certificates of deposits of up to 3 years maturity. The affiliates may also invest in Rule 2a-7 money market funds as recognized by the SEC. Affiliate deposits that exceed the FDIC limit are reviewed annually and additional accounts opened if deemed necessary.

7.7 Petty Cash

CHH does not maintain petty cash.

7.8 Banking

CHH's deposit banking relationships will be reviewed periodically by the Vice President of Finance in consultation with the SVP to determine whether CHH is receiving the best service and return on its funds in consideration of the full banking relationship. If appropriate the VPF/SVP will issue a Request for Proposal for banking services and evaluate the alternatives. Final determination of the primary banking relationship rests with the Finance Committee based on management's recommendation.

The VPF or Accounting Manager is responsible for opening bank accounts, updating signers and closing bank accounts, maintaining the online banking platform and authorizing online banking users. New accounts are typically opened when a property is acquired and a new entity is formed. Accounts opened for other purposes must be approved by the Finance Committee.

Consistent with Article IV, Section 2, of the CHH Rules and Regulations, the authorized check signers are the Board officers: Chair, Vice Chair, Treasurer and Secretary and the Chief Executive Officer and Senior Vice President/Deputy Director, VP or Organizational Performance and the VP of Real Estate Development. Checks and withdrawals from any account in excess of an amount set from time to time by the Board by resolution must be signed by two of the authorized signers. Wire transfers are initiated by the Accounting Manager or Senior Accountants and approved by an authorized signer on the account. Transfers between CHH and affiliates for payment of fees, reimbursements, short term operating advances or distribution of cash flow, are made by the Vice President of Finance or Accounting Manager in compliance with the partnership or operating agreements, regulatory agreements, management agreements or other agreements between CHH and the affiliates.

8 Revenues and Cash Receipts

8.1 Revenue Recognition

Revenues are recorded when earned regardless of the timing of cash flows. Gross rent potential reflects gross rental revenue at 100 percent occupancy. CHH deducts vacancy loss from gross rent potential to reflect actual occupancy. Rental revenue is recognized monthly as earned.

Development fee revenue is recognized over the development period using the percentage of completion method.

Grants and contributions are recognized as revenues as soon as all eligibility requirements imposed by the provider are met. The Accounting Manager or Senior Staff Accountant prepares the invoice for cost reimbursement billings and other billings per contract. All supporting documentation is attached to invoice and maintained in secured folder in accounting that does not allow for changes after the invoice has been submitted. The folder is maintained for seven years after the grant closes. Review is recorded when the invoice is submitted for payment.

Fees for services performed for affiliated entities are generally recorded and recognized as earned on a monthly basis, or alternately on an annual basis, dependent on the terms of the agreements between CHH and its affiliated entities.

8.2 Billing/Invoicing

Tenant rents, both tenant portion and subsidy, are billed monthly by Property Management. Commercial tenants are generally billed quarterly for triple net expenses or monthly for common area maintenance (CAM) charges according to the terms of their leases. Property Management bills the commercial tenants for triple net based on expense documentation provided by Finance in the month following the end of the quarter. CAM charges are set annually. The finance team maintains documentation on CAM charges and reconciles the charges to the amounts billed and estimated. Finance work with the property management team and Assets Management and Acquisition teams to resolve any questions or issues.

CHH affiliated entities are billed for fees for services monthly. Development fees are billed in accordance with the Development Services Agreements. Fees that are dependent on affiliate cash flow are billed annually upon determination of the prior year's available cash flow.

Grant billings are initiated by the receiving department once grant conditions are met. Finance provides data as necessary for such billings promptly. The VPF or designee reviews and approves the grant billing before it is submitted to the funder.

8.3 Accounts Receivable

Tenant accounts receivable policy is governed by Chapter 13 of the CHH Rental Housing Policies.

8.4 Allowance for Doubtful Accounts

Accounts receivable from tenants and former tenants for rents and excess damages are analyzed **annually** and the allowance for doubtful accounts is adjusted as necessary prior to year-end closing under the supervision of the Vice President of Finance. During the year Property Management forwards the past due accounts to collection agencies in accordance with CHH Rental Housing Policies. Property Management writes off balances older than six months. In the event that payment on a previously written off account is received, it is recognized as revenue in the current period.

8.5 Due to/from CHH

Due to/from accounts are created when there are transactions between the affiliates and CHH. These transactions include reimbursements for expenses paid on behalf of the affiliates by CHH and fees charged the affiliates for services rendered. From time to time CHH advances funds to Housing Affiliates with insufficient cash flow. Funds for the original development or rehabilitation of a building owned by a Housing Affiliate may have been granted to CHH and then loaned to the Housing Affiliate. All of these transactions create due to/from accounts. The due to/from accounts are reconciled bi-weekly in accordance with the month end close calendar.

Receivables from affiliated entities are reviewed annually and the allowance for doubtful accounts from related parties is adjusted. Such adjustment is prepared by the Accounting Manager and reviewed by the Vice President of Finance.

8.6 Cash Receipts

Rents are generally collected by the site manager directly from the tenant. Site managers are expected to deposit the rent and post the payment to the tenant's account in BostonPost within 24 hours. Undeposited rents must be secured in the manager's office. If a rent collection box is used at the site, it must be emptied daily.

Rents received in the office are given to Portfolio Managers to post to BostonPost and then are delivered to Finance for deposit.

Other funds received in the CHH Office are given to the Accounting Manager who identifies the bank account for deposit and the appropriate coding for general ledger entry. Finance department staff deposit funds daily either using a remote deposit device or in person at the bank.

8.7 Segregation of Duties

CHH managers must consider the principle of segregation of duties when designing and defining job duties. They must implement processes and control procedures that, to the extent feasible, segregate duties among employees and that include effective oversight of activities and transactions.

Maintaining segregation of duties is especially challenging in a small organization where departments or sites have small numbers of employees. When key functions cannot be separated, more reliance must be placed on managerial oversight. Adherence to written policies and procedures, prompt reconciliation of accounts, review of exceptions and investigation of all discrepancies is required.

9 Purchasing and Disbursements

CHH is bound by Washington State laws, U.S. Department of Housing and Urban Development (HUD) guidelines, Seattle Municipal Code and other local regulations. The Board's authorization or concurrence is required for expenditures exceeding \$10,000. CHH requires full and open competition in all its procurement activities.

CHH owned properties are subject to Washington State Public Works contracting requirements. Certain affiliates of CHH are not subject to these requirements. Before bidding a contract, staff must confirm whether Public Works contracting rules apply with the SDPM and SVP. In addition, improvements or projects funded with Federal funds may have additional requirements which should be confirmed with the SVP. These policies address contracting in compliance with Public Works requirements.

9.1 Small Works Roster

Many of CHH's Public Works contracts are less than \$300,000 and are considered "small public works". State law allows public entities to use a Small Public Works Roster to manage its public works contracting. CHH contracts with a shared small works roster in lieu of maintaining its own roster.

9.2 Small purchases

Purchases of goods and services up to \$10,000 require one bid or quotation. Solicitation of additional bids or quotations is encouraged. Quotations are to be solicited from contractors on the shared small works roster when applicable. Requests for bids and quotations should be made to a variety of vendors and contractors to ensure the best pricing, quality and service.

9.3 Informal solicitations

For most purchases or contracts estimated to be between \$10,000 and \$35,000 for construction, CHH staff (portfolio manager, maintenance supervisor or director, construction manager or others delegated this function) will solicit electronic or written quotations from a minimum of three vendors. For purchases estimated between \$35,000 and \$150,000 a minimum of five written quotations must be solicited. Quotations are to be solicited from contractors on the shared small works roster when applicable. Quotations will be received until the specified day and time indicated on the request.

9.4 Formal solicitations

An Invitation for Bids (IFB) or a Request for Proposals (RFP) is used for purchases of goods and services estimated at \$150,000 or more. As a general rule, an IFB is used for construction projects estimated at \$150,000 or more. All formal competitive solicitations are advertised on the shared small works roster, in the Seattle Daily Journal of Commerce and on the CHH website.

Sealed bids/proposals must be received and time stamped at the CHH Office prior to the submittal deadline. All late bids/proposals are returned to the vendor/offeror without being opened. Public bid openings are held at CHH's Office at the specific time and date stated in the IFB. During the bid opening, only the name of the vendor and total amount is read aloud. Vendors are welcome to attend the bid openings.

9.5 Consultants and Other Services

9.5.1 Architects and Engineers

CHH maintains a roster for Architectural services. CHH will issue a Request for Qualifications periodically but no less often than every three years. Such RFQs are advertised in the Seattle Daily Journal of Commerce and on the CHH website.

CHH will evaluate the submittals based on established criteria. Price may not be used as an initial evaluation criterion under Federal and State law. Specific proposals will be solicited from Architects on the roster as needed. Engineering services greater than \$50,000 will be procured consistent with the process for Architectural services although it is not anticipated that a roster will be established.

9.5.2 Other Consultants and Other Services

Other consultants will be selected using informal methods if the cost is less than \$25,000, keeping in mind the benefits of competitive solicitations and using a diverse pool of consultants. For consulting contracts, and other services not determined to be public works, that are greater than \$25,000 CHH will issue a Request for Proposals. The submittals will be evaluated based on established criteria and may include consideration of price.

9.6 On-Call (Task Order) Contract

An on-call (task order) contract, normally for maintenance or repair work, is a contract that does not specify a firm quantity of work to be performed (other than minimum or maximum quantities) and that provides for the issuance of orders for the performance of tasks during the period of contract. CHH may use make use of such master or on-call contracts on an annual basis using the shared small works roster to solicit proposals in order to make such awards.

9.7.1 Noncompetitive Negotiation

Noncompetitive negotiation for purchases or contracts greater than \$10,000 may be used only when the informal or formal solicitations, as appropriate, are infeasible and one of the following circumstances applies:

- a. The item is available only from a single source.
- b. In an emergency that seriously threatens the public health, welfare or safety, endangers property or would otherwise cause serious injury to CHH, as may arise by reason of a flood, earthquake, epidemic, fire, riot, equipment failure or similar event.
- c. The awarding agency or funder authorizes noncompetitive proposals.
- d. After solicitation of a number of sources, competition is determined inadequate.
- e. Noncompetitive Negotiations must be provide written documentation on why it was a noncompetitive negotiation and provided with the contract prior to signing.

9.7.2 Conflict of Interest

CHH shall be alert to organizational conflicts of interest and non-competitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade. Where applicable given the nature of the contracting relationship (i.e., negotiated vs. generally available to the public on

set terms) and/or the value of the contract, CHH shall require disclosure of such potential conflict or non-competitive practices.

9.8 Responsibility and Authority for Purchasing

All department directors have the authority to initiate purchases anticipated by the CHH annual budget and within the limits established from time to time by the Senior Vice President and within the guidelines described in this policy manual. In addition, department directors may delegate purchasing authority within their department.

9.9 Prohibited Expenditures

Consistent with IRS regulations and the CHH's Charter and Rules & Regulations, no funds, assets, or property of the Program shall be used for any partisan political activity or to further the election or defeat of any candidate for public office; nor shall any funds or substantial part of the activities of the Program be used for publicity or educational purposes designed to support or defeat legislation pending before the Congress of the United States, or the legislature of this State or the City Council; provided, however, that members and officials of the Program may respond to requests by contacting members of Congress, State legislators or City Council members for information and may appear before any such legislative body in connection with funding and other matters directly affecting the Program or its ability to carry out the purposes for which it is chartered.

9.10 Prohibited Use of Organization Assets and Resources

It is the policy of CHH that no assets or human resources of the organization shall be utilized for political activities, as defined above. This prohibition extends to the use of CHH assets or human resources in support of political activities that are engaged in personally by board members, members of management, employees, or any other representatives of CHH during work time or while performing CHH duties. While there is no prohibition against these individuals engaging in political activities personally (on their own time, and without representing that they are acting on behalf of CHH), these individuals must at all times be aware that CHH resources cannot at any time be utilized in support of political activities. Personal or private use of CHH assets is also prohibited.

9.11 Charging of Costs to Federal Awards

Amounts claimed or used for matching are determined in accordance with relevant guidelines in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

9.12 Expense Allocations

CHH strives to determine the actual costs of carrying out each of its program service and supporting activities. In this regard, it is the policy of CHH to charge expenses to the appropriate category of program service or supporting activity. Expenses that serve multiple functions or are not readily identifiable with one function are allocated between functions in reasonable proportions whenever possible.

Expenditures tied to each grant, loan, or contract are to be recorded according to the budget categories for that particular funding source. For each funding award, CHH maintains records that allow for a comparison of outlays with approved budget amounts

Before CHH seeks reimbursement from a funder, it ensures that the costs for which it is seeking reimbursement are allocable to that funder. A cost is considered allocable to an external funding source (unless otherwise prohibited) if it is treated consistently with other costs incurred for the same purpose in like circumstances and if:

- The cost is incurred specifically for the award.
- The cost benefits both the award and other work and can be distributed in reasonable proportion to the benefits received.
- Is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown.

Any cost allocable to a particular award or other cost objective may not be shifted to other awards to overcome funding deficiencies, or to avoid restriction imposed by law or by the terms of any award of funds

9.13 Direct Charging of Costs

Certain internal costs are directly charged to the appropriate CHH function based upon underlying documentation. Salaries may be allocated on actual time incurred using timesheets or on an allocation schedule based on historical data, units managed or other reasonable basis. Occupancy or facilities costs may be allocated on departmental FTEs or square footage.

9.14 Allocation of Overhead Costs

Overhead costs are allocated to each department and program area as the related invoice is paid. The basis for allocation should be appropriate for the item in question. Examples of an acceptable basis of allocation are Full Time Equivalent staff (FTEs), apartment units, or square footage.

10 Accounts Payable

It is CHH policy to record and pay only valid and authorized invoices, which represent legitimate CHH or affiliated entity obligations. Accounting procedures are implemented to ensure the accuracy of amounts, coding of general ledger accounts, appropriate authorization, and timing of payments. The Accounts Payable (A/P) function is the sole area responsible for releasing checks and initiating requests for Automated Clearing House (ACH) payments to third-party vendors.

All amounts paid should be based on approved and valid vendor invoices and/or check requisitions and evidenced by receipt of goods and/or services.

Copied or resubmitted invoices shall be investigated and resolved in order to avoid duplicate payments. Payments shall be made from vendor invoices and not from vendor statements. Proper documentation shall be maintained to support statutory audit and regulatory requirements pertaining to paid vendor invoices.

Payments are to be made in accordance with stated terms in the vendor master agreement. CHH's standard terms are 30 days from date of invoice. Requests to accelerate or delay payments require the approval of the Vice President of Finance.

It is CHH's policy that all expenses should be captured to the greatest degree practical in the period that they are incurred.

Those amounts pertaining to invoices not processed by A/P for which an obligation exists within the accounting period must be accrued in accordance with the Finance policies.

10.1 Vendor Master Data

Vendor master data may be set up and maintained only by an authorized employee who is not involved in the procuring, receiving or processing of payments. The Accounting Manager is responsible for reviewing vendor activity reports in order to mitigate the risk of unauthorized or inaccurate vendor additions or editing.

10.2 Invoice Processing

Invoices from vendors shall be treated as legal documents representing a commitment to pay vendors who have delivered a product or rendered a service to CHH or its affiliates. A bona fide invoice is a financial liability that, if not recorded in a timely and accurate manner, can result in the misstatement of the CHH's financial records.

The Staff Accountant establishes control of invoices as soon as invoices are received. Vendors are instructed to mail/e-mail all invoices directly to the accounts payable department. Upon receipt of invoices, the invoices are distributed to the appropriate personnel for approval as follows: Prior to the processing of invoices, the appropriate documentation must be attached with the authorized signatures. Vendor invoices should include and not be limited to the following information:

- Vendor name, address, contact, vendor reference number, shipping terms, and payment terms
- Vendor information regarding where/how payment should be made (e.g., address, reference number)
- CHH reference information such as PO number (PO system not in use at this writing), contact name, address, building, unit number within a building, or department where products and/or services are delivered
- The invoice should provide detail appropriate to the goods or services billed, e.g. date or dates, descriptions, quantities, level of service, unit prices, billing rates, sales taxes, etc.
- If an invoice is not available, then a check request and supporting documentation must be submitted.

Recurring payments between affiliates and CHH may be documented annually. The Accounting Manager is responsible for establishing, monitoring and reviewing invoice processing procedures to ensure that all expenses are properly documented.

Automatic deductions may be used for recurring budgeted payments such as mortgage payments, utility payments, office machine leases, etc. Each transaction must be supported by an approved invoice. Any deviations between the amount invoiced and the amount deducted must be investigated promptly. Use of ACH transfers are permitted for recurring payments between affiliates and CHH, between affiliate accounts i.e. from operating to reserves, payroll processing, for employee expense reimbursements and at the request of vendors. Such transfers are initiated by the Senior Accountant and approved by the SVP.

10.3 Accounts Payable Cut-Off

For purposes of the preparation of the CHH's monthly financial statements, all vendor invoices received, approved and supported with proper documentation by the 15th day of the following month are recorded as accounts payable during that month if the invoice pertains to goods or services delivered by

month-end. Accounts payable may be held open longer than fifteen days after fiscal year end at the discretion of the Vice President of Finance.

10.4 Payment Discounts

To the extent practical, it is the policy of CHH to take advantage of all prompt payment discounts offered by vendors. When availability of such discounts is noted, and all required documentation in support of payment is available, payments are scheduled so as to take full advantage of the discounts as cash flow allows.

10.5 Reconciliation of A/P Subsidiary Ledger to General Ledger

At the end of each monthly accounting period, the total amount due to vendors per the accounts payable subsidiary ledger is reconciled to the total per the accounts payable general ledger account (control account). All differences are investigated and adjustments are made as necessary. The reconciliation and the results of the investigation of differences are reviewed and approved by the Accounting Manager.

11 Credit Cards

The Board has authorized the SVP to implement procedures for the use of CHH credit cards to assigned individuals for the following uses:

Purchases – The assigned credit cards may be used for ordering supplies, including on-line purchases, for CHH purposes, when preapproved by the department head.

Travel – Credit cards may be used by assigned individuals for official business related expenditures for hotel, parking, ferry, taxi, meals, gas, airline tickets, and other travel related expenses as authorized by the CEO. In addition, the assigned individual may use the CHH credit card for conference and class registrations. Out-of-state travel and out-of-state registrations require the CEO's pre-approval.

Credit Limit – The credit limit for each assigned CHH credit card shall be no more than \$10,000. The individual employee limit shall be reviewed from time to time by the Finance Committee and increased or decreased as necessary.

CHH credit cards shall not be used for cash advances or personal purchases.

The Vice President of Finance must approve issuance of new credit cards. Credit cards will be issued only where there is a demonstrated need.

12 Travel and Entertainment Expense

12.1 Employee Expense Reports

Reimbursements for travel expenses, business meals, or other approved costs are made only upon the receipt of a properly completed and approved electronic expense reimbursement form. All receipts must be attached, and a brief description of the business purpose of the trip or meeting must be included. Reports, along with attached receipts, are submitted and approved electronically through use of third party expense reporting software. Expense reports (including mileage) are required to be turned in to the Finance department at least monthly. All supporting documentation for expense reports is maintained electronically in accordance with applicable document retention policy.

12.2 Travel Expenses

It is the policy of CHH to reimburse employees for reasonable travel expenses incurred in the conduct of business for CHH. Reimbursement for such necessary and reasonable expenses will be made subject to compliance with this policy and with Chapter 42.24, Revised Code of Washington.

12.3 Responsibilities of travelers

A traveler on official CHH business is responsible for:

- Being familiar with CHH travel and transportation policies and procedures before embarking on travel.
- Exercising the same care in incurring expenses and accomplishing the purposes of the travel that a prudent person would exercise if traveling on personal business. Excess costs, circuitous routes, delays, or luxury accommodations unnecessary or unjustified in the performance of official CHH business travel are not acceptable.
- Paying any expenses incurred for personal preference or convenience.
- Returning as promptly as possible to either the employee's work site or official residence when CHH business is completed.
- Securing prior authorization for travel.
- Preparing the Travel Expense Voucher and providing appropriate receipts and documentation.

The SVP and Vice President of Finance will ensure that the above expectations are included in the CHH Travel and Transportation Policy.

12.4 Advance Travel Arrangements Required

All travel arrangements, including but not limited to airline reservations, hotel reservations, conference registration, etc., shall be made in advance to take advantage of any available discounts and to avoid paying premium rates.

12.5 Excess Travel Time

Any excess travel time which is brought about by the employee's choice of transportation or other personal reasons will be charged to the employee as paid time off.

12.6 Excess Travel Expenses

Any excess travel expenses which are brought about by the employee's personal activities are the responsibility of the traveler. Only those travel expenses directly related to CHH business are allowed.

13 Debt Management Policies

Under the CHH Charter, CHH is authorized to borrow money and to issue negotiable bonds and notes in conformity with Seattle Municipal Code 3.110.420 and applicable provisions of the Uniform Commercial Code and state law in order to achieve its purposes.

The success of CHH in funding capital projects and improvements is highly dependent upon sound financial planning objectives and strategy of implementation. The amount of debt and cost of debt are important factors in measuring CHH's financial performance and condition. Sound debt management

requires an evaluation of the impact of additional debt issue or borrowings on CHH's overall financial position.

CHH will not use long-term debt to finance current operations. Long-term borrowing will be confined to capital improvements or similar projects with an extended life when it is not practical to be financed from current revenues.

Board approval is required prior to the issuance of debt or entering into any agreements for the borrowing of money.

Debt payments shall not extend beyond the estimated useful life of the project being financed.

CHH will generally not utilize lease purchases, except for computers, copiers, mail room equipment, telephones and similar technology related equipment and in the case of extreme financial emergency, with specific approval of the Board. If lease purchasing is approved by the Board, the useful life of the item must be equal to or greater than the length of the lease.

CHH will determine the most practical and cost-effective ways of securing interim funding for CHH capital projects.

Whenever possible, CHH shall identify alternative sources of funding and shall examine the availability of those sources in order to minimize the level and cost of debt. CHH shall examine and pursue all applicable private, city, state and federal grant and low-interest loan programs for funding capital improvement projects before initiating any debt financing of such projects.

Bonds issued by CHH may be secured by the full faith and credit of CHH or may be made payable solely out of certain revenues and receipts as may be designated in the authorizing bond resolution.

CHH Management shall negotiate the most competitive pricing possible on debt issues and broker commissions in order to most economically carry out its mission and goals.

Unless otherwise justified, CHH will use bond proceeds within the established time frame pursuant to the bond ordinance, resolution, contract or other documents to avoid arbitrage rebates. If arbitrage occurs, CHH will pay the amount of arbitrage liability to the federal government as required by IRS regulation. CHH will maintain a record and reporting system to meet the arbitrage rebate compliance requirement of the IRS regulations. For bond proceeds not used within the established time frame, the SVP shall calculate rebate payments and CHH shall remit any rebatable earnings to the federal government in a timely manner in order to preserve the tax-exempt status of the outstanding debt. CHH may contract with a firm specializing in arbitrage compliance.

14 Lines of Credit

14.1 Operating Line of Credit

CHH has from time to time established an operating line of credit (LOC) with a commercial bank. The purpose of the operating LOC is to provide a source of funds to pay current budgeted expenses when there is a timing difference or delay in receipt of committed, budgeted revenues. The operating LOC provides a safety net in addition to available operating reserves.

Management will endeavor to repay advances from the operating LOC as quickly as financially prudent and will comply with the terms of the agreement with the bank.

The operating LOC is not to be used to fund predevelopment costs except in extraordinary circumstances. Such usage requires Board approval in advance. One or more separate lines of credit

have been or are to be established to fund predevelopment costs. The operating LOC is not to be used to fund programs or activities not part of the board approved budget without approval by the board or in the case of an emergency as determined by the CEO.

Draws on the operating LOC are to be made as follows:

Up to \$50,000 – Vice President of Finance proposes and CEO authorizes. In the absence of the CEO, the Senior Vice President authorizes.

\$50,000 - \$150,000 – In addition to CEO authorization, the Board Treasurer provides concurring authorization. In the Treasurer’s absence, another Board Officer concurs.

Greater than \$150,000 – Two officers of the Board are required to concur in addition to the above authorizations.

14.2 Predevelopment Line of Credit

CHH has from time to time established a predevelopment line of credit (LOC) with a community development lender. The purpose of the predevelopment LOC is to provide a source of funds to pay predevelopment costs for identified real estate development projects consistent with the mission of CHH. Such projects have a more likely than not probability of obtaining construction and permanent financing as determined by staff in consultation with the board Real Estate Development Committee and ratified by the Board.

The predevelopment LOC is not to be used to fund CHH operating costs. One or more separate lines of credit have been or are to be established to fund operating costs as needed.

Draws on the predevelopment LOC are to be made as follows:

Real estate development staff members, under the direction of the Vice President of Real Estate Development, prepare draw requests monthly, or less often as needed, with documentation in accordance with lender and CHH requirements. Generally the draw will be used to pay predevelopment invoices directly, although at times the draw may be used to reimburse CHH for payments made in advance of or between draw requests. Expenses paid using the predevelopment LOC must be consistent with the predevelopment budget approved by the Board in a feasibility resolution authorizing acquisition and/or other predevelopment activities specific to the development site.

In instances where the lender reviews all requests for draws in detail, the Vice President of Finance or other finance staff member will review and approve all expenses. In instances where the lender does not review all requests for draws in detail, the Senior Vice President will provide a second level review.

15 Property and Equipment

Buildings and land are the primary assets of CHH and its affiliates. It is CHH policy to define Property and Equipment, also referred to as Fixed Assets, in accordance with U.S. GAAP, which states that property, plant and equipment assets:

1. Are to be held for use in the normal course of business and not held for investment
2. Have an expected economic useful life of more than one year or will not be converted into cash within the operating cycle
3. Are to be tangible in nature and have physical substance

Items that qualify as assets that do not meet these characteristics may be classified as “Other Assets” or “Intangible Assets.”

In addition, CHH has established the following standard for capitalizing Fixed Assets:

4. An acquisition cost greater than \$5,000 per item effective January 1, 2017 and 1,000 until then
Assets begin depreciating in the month they are acquired or placed into service, whichever is later.
Assets waiting to be placed into service are held in a Construction-in-Progress (CIP) account.

Fixed Assets owned by CHH are depreciated over the asset’s anticipated useful life. Leased assets must be evaluated by the Vice President of Finance and accounted for in accordance with GAAP.

It is CHH policy to depreciate Fixed Assets assuming a straight-line methodology and zero salvage or residual value. CHH has established asset categories and determined the depreciable life schedule based on the typical term the asset is in use. If the asset’s economic life is estimated to be different than the amount of time shown, use the lesser life span in consultation with the Vice President of Finance.

Depreciable Life Schedule

Fixed Asset Category	Depreciable Life
Land	Not applicable
Buildings, Building Improvements, Building Equipment	40 years (alternate lives may be used at direction of LIHTC investor). Building equipment may have shorter lives.
Leasehold Improvements	Lesser of 5 years or life of lease
Site Improvements	15 years

Transportation equipment (e.g. maintenance vans)	5 years
Computer Hardware & Software	3 – 4 years
Furnishings & Equipment	5 – 15 years
Construction in Progress	Not applicable
Predevelopment Costs	Not applicable

15.1 Asset Categories

Following is a description of each of the asset categories with a list of those items that should/ should not be included when determining the amount to be capitalized. The General Characteristics category applies to all asset categories; therefore, to apply this section, refer to General Characteristics, and then refer to the specific asset category.

15.1.1 General Characteristics

Each Fixed Asset must be recorded in the Fixed Assets module of the Financial Reporting system according to its category. The asset category reflects the type of asset that is acquired, not the

department or entity that is acquiring or the asset. In other words, if a CHH apartment building is acquiring office furniture, the office furniture is categorized as furniture and fixtures.

The following guidance applies to all asset categories:

Costs included for capitalization:

- Contract price from supplier or vendor, less available sales discounts, plus applicable freight and federal, state, sales, or local taxes
- External costs directly related to the setup, assembly, installation, or testing of the asset to enable it to be ready for use and placed into service

Costs excluded for capitalization and must be expensed in the period incurred:

- Additional, excess, or redundant parts are considered routine repair whether acquired with the asset or subsequent to the installation of the asset. If purchased in bulk, these may be considered Prepaid Expenses.
- Costs to move or rearrange the asset once it has been installed.
- Items that do not qualify as Fixed Assets (e.g., less than \$5,000 or assets with an estimated economic life of less than one year).
- Ongoing maintenance and routine repairs including recurring activities such as cleaning, servicing, repair, replacement, and minor parts.
- Removal costs associated with replacing Fixed Assets.
- Training and travel costs for employees to acquire operational knowledge and skill related to the use of the Fixed Asset.

15.1.2 Land

Land owned by CHH and its affiliates is generally held for the long term and used in the operation of CHH's affordable housing. Occasionally land may be purchased and held for future development. Land is not depreciated.

When CHH owns land and buildings together, the value of the land should be segregated and classified separately from the value of the building. In valuing land and building when acquired together, CHH looks to either an appraisal or a recent property tax assessment to provide support for valuation. Site Improvements must be recorded within the Site Improvements asset category.

Costs that may be capitalized to land are:

- Real Estate commissions and closing costs
- Title searches and land surveys
- Environmental reports, geotechnical studies
- At the time the land is acquired, costs related to preparing the land for its particular use such as clearing and grading when such improvements have an indefinite life
- Demolition

- Environmental abatement
- Holding costs including interest and property taxes

Costs that must be expensed are:

- Interest and property taxes once the land is placed in service

15.1.3 Buildings, Building Improvements, Building Equipment

CHH **Buildings** are generally apartment buildings with or without commercial space, which are used to carry out CHH’s mission. Commercial space should be separately stated and depreciated if practical.

Building Improvements refer to structural additions and permanently attached fixtures and other items that cannot be removed without damaging the building property (e.g., customization for built-in lighting and wiring, heating, and plumbing).

Building equipment includes equipment such as boilers, furnaces, and central hot water heaters. Historically these items have been not segregated from building basis, either in new construction or in the acquisition of an existing building. If these items were not upgraded or replaced during the initial acquisition and rehabilitation of a building, and then later replaced, it may be appropriate to capitalize their replacements. A major consideration in making this decision is the age of the equipment at the time of acquisition (if it was nearing the end of its useful life at that time, the purchase price reflected the lesser value). Also relevant is whether the new equipment upgrades systems performance.

Note: Similar improvements to leased buildings and rented spaces are considered leasehold improvements.

Costs that may be capitalized are:

- Remodeling, renovation, and reconditioning
- Excavation for the specific building
- Building permits and architectural fees
- Utility hook-up fees
- Certain legal costs
- Construction period interest, property taxes and insurance
- Market studies

Costs that must be expensed are:

- Interest and finance charges once the building is placed in service
- Ongoing building expenses such as utilities, security, or facilities management

- Property taxes and insurance once the building is placed in service
- Routine building repair, supplies, and maintenance, such as painting and plumbing, regardless of dollar amount

15.1.4 Leasehold Improvements

Leasehold improvements are permanently attached fixtures and other items that cannot be removed without cutting into walls, ceilings or floors or otherwise damaging the leased property or asset. Generally, these are constructed or installed at the leased location prior to taking possession or opening the facility for operations. CHH and its affiliates lease commercial space and may provide tenant improvements which are considered leasehold improvements. CHH may lease office space for its own use and pay for tenant improvements. Examples of leasehold improvements are:

- Ceiling lights or wiring
- Air conditioning or heating systems
- Electrical or telephone cables
- Flooring and wall coverings
- Construction of office and meeting spaces

As part of setting up a leased location, other items may be acquired (e.g., furniture and fixtures, computers). Each item must meet the criteria for a fixed asset or be expensed. If it is possible to segregate the assets by categories, they should be classified in the appropriate asset category. Additional items that generally accompany the leasehold setup should be evaluated as fixed assets or expensed.

Costs that may be capitalized are:

- Architectural design and blueprints
- Building permits and inspection fees
- External construction and contracting fees
- Major upgrades and renovations

Costs that must be expensed are:

- Business licenses and insurance
- Costs to remove debris and unwanted items
- Legal or advisory fees
- Office supplies and services
- Prepaid Rent is expensed as it becomes due.

15.1.5 Site improvements

Site Improvements refer to investments made to the land that are separate from the building and include driveways, sidewalks or pathways, sewers, parking spaces, fences, decks, garbage enclosures and playground equipment.

Costs that must be expensed are:

- Ongoing land maintenance and upkeep (e.g., gardening, landscaping and seasonal clearing)

15.1.6 Transportation Equipment

Transportation equipment refers to autos and trucks purchased to support specific operating activities. Currently the only vehicles that CHH owns are maintenance vans. Vehicles should be capitalized.

Costs that must be expensed are:

- Insurance and safety checks
- Registration and license plates
- Repairs, parts, and maintenance, regardless of dollar amount

15.1.7 Computer Hardware and Software

Computer Hardware refers to:

- Servers and their related disk access storage devices, added memory, and operating system software
- Production printers/scanners/copiers (high volume for central office use)
- Networking assets such as cabling, routers, switches
- PC desktop and laptop computers and related connected peripherals such as scanners and printers when acquired as a system

Costs that must be expensed include:

- Materials, parts, and supplies added after the hardware is placed into service
- Internal labor costs to set up, install, integrate, and test the hardware to the system
- Maintenance, technical, and operational support
- Office services and supplies

Computer Software utilized for internal use by CHH is generally acquired externally through commercial licensing. This policy does not address the capitalization of internally developed software.

Computer software for internal use includes:

- Enterprise software—Sage Fund Accounting and Microsoft Office suite
- PC Desktop and other applications acquired for local use

Costs that may be capitalized for externally licensed software are:

- Initial License Charges or fees—an upfront payment treated as a down payment or prepayment.
- One-Time Charge license fees—a license fee that does not need to be renewed (e.g., perpetual). This license charge may be capitalized if maintenance is not included in the fee and the product may not be returned, that is, if there is no remaining vendor obligation.

Costs that must be expensed for externally licensed software are:

- Monthly license fees—monthly, quarterly, or annual license fees related to the use of the product (e.g. monthly support. If appropriate, these charges may be treated as Prepaid Expenses.
- Level 1, 2, or 3 license maintenance support
- Internal labor costs to set up, install, or integrate the software into the system
- Training and travel costs for employees to acquire operational knowledge and skill related to the use of the PP&E Asset

15.1.8 Furnishings and Equipment

Furnishings and equipment may also be referred to as personal property. In keeping with industry practice, residential personal property includes appliances and floor coverings purchased as part of the new construction of an apartment building or the substantial rehabilitation of a property that was acquired with the intention to undertake a major rehabilitation in the near term. Subsequent replacements of such items should only be capitalized if they meet the capitalization requirements of these policies (appliances generally are less than \$5,000 so they would not be capitalized) or is considered normal wear and tear, such as flooring replacement upon unit turn even if greater than \$5,000.

Within CHH, furnishings and equipment may also refer to the broad definition of assets purchased to outfit offices, reception areas, and other common support spaces (e.g., desks, chairs, credenzas, lighting, window coverings, and bookcases).

Costs that must be expensed are:

- Rental of office furniture and fixtures
- Routine furniture repair, parts, supplies, and maintenance such as:
 - Replacement of Plexiglas and fabric dividers, additional electrical outlets and office supplies

Office equipment refers to non-computer office electronics (e.g. postal meters) owned by CHH.

Copiers are considered Computer Hardware if they are networked. Office equipment may be leased, and if leased, an assessment must be made to determine if the lease is a capital lease.

Equipment purchased for use in the maintenance of the apartment buildings should be capitalized if it meets the general requirements for capitalization.

15.1.9 Construction in Progress (CIP)

CIP is used to accumulate costs related to Fixed Assets prior to the asset being placed into service and the beginning of depreciation. CIP accounts are generally used for real estate projects under construction or rehabilitation and major leasehold or building improvements. When the asset is placed into service, the accumulated cost is transferred from CIP to its proper asset category and depreciation begins.

CIP or clearing accounts must not be used to accumulate charges that would normally be expensed. Assets that are received and placed into service must not be held in a CIP or other clearing account. Depreciation begins when the unit is placed in service even if the total project spending has not been completed or if vendor invoices have not been received and processed.

15.1.10 Predevelopment Costs

Predevelopment costs account is used to accumulate costs related to potential real estate development projects. Such costs are incurred while doing due diligence on prospective sites and are costs that would be capitalized to land and/or buildings if development of the project went forward. Project codes are used to identify the costs to specific projects. Predevelopment costs are reviewed annually by the Vice President of Finance and Senior Vice President to determine whether the individual projects are still potentially viable. If they are found to be no longer viable, the costs are written off as a period expense. Predevelopment costs move to Building, Land or CIP as appropriate when closing on the purchase of the property occurs.

15.2 Small and Attractive Assets

It is the policy of CHH to maintain accountability over all tangible items that may have the likelihood of disappearing without being noticed. The Information Technology (IT) department shall maintain an electronic database of all small and attractive assets owned by CHH. This database shall be consistently updated as new items are purchased or assets are deemed to be no longer in service. Department managers are responsible for communicating this information to IT.

A small and attractive item is an item that is priced under the \$5,000 criteria for fixed assets and has a life expectancy of more than one year. This item also is not likely to be missed immediately upon disappearance and could be replaced without suspicion during voucher audits. Examples include, but are not limited to: cameras, projectors, surfaces, cell phones, etc.

As most assets falling into this category are technology related, the IT department is responsible for maintaining the database of small and attractive items. This inventory list will be reviewing annually as part of the budget process by the Director of IT as well as the Vice President of Finance. The asset list will contain the serial number, model or other identifying information. Whenever feasible, each piece of property will be engraved or marked with the Organizations name. Such markings will be removed or obliterated only when the item is sold, scrapped, cannibalized, or otherwise disposed of.

16 Payroll and Salary Expense

It is CHH's policy to pay employees accurately, on a timely basis, and in compliance with all applicable local, state and federal laws and regulations.

CHH pays employees according to their offer letter or as amended by an approved status change form. CHH calculates and records payroll (including payroll deductions) accurately and completely in the period the payroll/ salary expense is incurred.

Wages and salaries are determined based on competitive comparisons, industry standards and local economic indicators. Payroll and salary baselines are generally established for the beginning of each fiscal year; however, changes may be initiated and approved by management during the year.

Salary expenses are planned as part of the annual budget process and include:

- Regular and overtime wages
- Bonuses and awards
- Employer's portion of all taxes and benefits
- Other compensation as defined by income tax regulations

Each employee provides information and direction for their discretionary withholding items. This information is retained and controlled within the Human Resources module of the financial reporting system. HR must approve all changes to an individual's pay rate information and maintains control over employee master data.

Non-exempt employees, as defined, are eligible to receive compensation for overtime worked in accordance with the HR policy and state and federal law. Non-exempt employees are paid every two weeks.

Exempt employees are paid every two weeks and receive their annual salary ratably over the year, based on 26 payroll checks per year.

Supplemental earnings such as bonuses and awards are determined in accordance with CHH policy and are subject to local and withholding tax. Supplemental earnings must be approved by HR and in accordance with the authorization/approval policy.

Salary expense as reported within CHH's reporting records is comprised of gross amounts paid to employees as well as the employer's portion for all taxes and benefits.

It is CHH's policy to accrue a liability when specific conditions are met for employees to receive compensation for future absences.

CHH's payroll cycle shall be consistent with its business needs and operations. Salary and Payroll expense accruals must be matched with the period the expense is incurred. If the last payroll run does not coincide with the last day of the month, a month-end accrual must be calculated, posted, and then reversed in the following accounting period.

For all employees, payroll is generated based on the information submitted through manual time sheets (currently) or using time reporting systems (future). The supervisor or manager approves the time worked. The Payroll accountant processes the data.

Employees are required to be paid using direct deposit to the employee's bank account. An employee will be paid with a check only while the direct deposit is being set up and verified via pre-note. An

employee who does not maintain a bank account may have his or her paycheck deposited to a debit card. CHH reserves the right to approve the debit card provider.

For changes to employee status, including hiring, promotions, change to departments or job position, pay status, termination, or other change in employment the Manager or Supervisor completes a Status Change Form with appropriate approvals.

Employees may change their federal withholding tax by filing a new Form W-4 with Payroll. Other changes to deductions and benefits are made in compliance with the benefit program rules based on an Open Enrollment period, qualifying life events or other plan requirements.

17 Employee Appreciation

CHH shall include in the annual budget resources for staff appreciation and team building. Employee appreciation and recognition programs are managed by the VP of Organizational Performance. Allowable staff appreciation and team building events may include appreciation events in conjunction with an all staff meeting, a summer picnic, or a holiday season party. The purpose of and attendance at such events must be documented. CHH does not pay for alcoholic beverages.

Allowable employee appreciation and team building expenses also include CHH logo wear such as fleece vests, t-shirts or caps. Recognition items such as desk accessories or motivational signs are also permissible.

Paid time off awards of up to two days per calendar year is permitted. Paid time off awarded under an employee recognition program is meant to be used in the calendar year granted. Exceptions must be approved by the SVP. Cash awards may be made under an established employee recognition program. Employee recognition programs should include limits as to how often an employee may receive awards.

Cash awards and gift cards are always treated as income to the employee in accordance with IRS requirements. De Minimis benefits as defined by the IRS are not taxable to the employee. It is the SVP/Deputy Director's responsibility to determine the appropriate tax treatment in advance of any expenditure of funds for employee appreciation or team building which involve cash awards or merchandise.

18 Audits and Tax Preparation

CHH engages one or more independent audit firm each year to audit its financial records, provide an opinion on the financial results, and perform the Uniform Grant Guidance audit in accordance with applicable auditing standards generally accepted in the United States of America; the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance. CHH is also subject to an annual accountability audit by the Washington State Auditor's Office. The affiliates may also be required to be audited separately at the entity-level by investors, lenders or regulators.

18.1 Auditor Selection

The Audit Committee reviews the selection of its independent auditor(s) informally on an ongoing basis but will formally review the auditor selection whenever there is dissatisfaction with the auditor relationship or performance, or no less frequently than every five years. In the event of a formal review, the SVP, Vice President of Finance and Audit Committee shall evaluate the auditor relationship, considering such factors as performance and compliance history, price, staff knowledge and training as

well as any value-added services provided. In the event the relationship is deemed to be less than satisfactory, CHH will issue a written Request for Proposals (RFP). Proposals will be evaluated by management and the Audit Committee based on relevant experience and qualifications, responsiveness, audit approach, client references and peer reviews, ability to communicate clearly and concisely, price and other areas as relevant to the audit engagements. Regardless of the formal review process, written proposals should be obtained, no less than every seven years.

18.2 Audit Preparation

It is CHH policy to make every effort to provide audit schedules, documents and information requested by auditors in a timely manner and to conclude and file audits with third parties on a timely basis. The Senior Vice President and Accounting Manager work with the independent auditors to establish a mutually agreeable audit schedule.

18.3 Audit Adoption

The Board of Directors has delegated to the Audit Committee the authority to adopt the annual audit and present the adopted audit to the full Board at the immediately subsequent regular meeting of the Board. (Resolution 2011-05)

18.4 Tax Returns

CHH as a PDA is subject to many of the federal, state and local tax reporting as profit and nonprofit entities, while being exempt from others. It is the responsibility of the Vice President of Finance to identify all filing requirements and ensure that CHH is in timely compliance. Such filings include payroll, independent contractor and benefits reporting. The affiliates may be required to file returns with the Internal Revenue Service.

19 Insurance and Risk Management

It is CHH policy to have an active risk management program that includes a comprehensive insurance plan. Insurance against loss is both fiscally prudent and required by our funders, lenders and others we do business with. The Vice President of Finance is responsible for the annual review of insurance coverage which includes but is not limited to: General Liability; Property/Business Income; Inland Marine (computer hardware); Auto; Boiler & Machinery; Excess Liability; Earthquake; Directors & Officers Liability; Builders Risk; Employee Dishonesty; Workers Compensation; and Employment Practices. CHH works with an insurance broker to purchase the appropriate coverage for the best value combined with responsive service and active management of our insurance needs. The VPF works with the broker to determine coverage levels. Approved insurance companies will have a minimum A.M. Best rating of A- VII. The SVP may delegate the management of the properties coverage to the Director of Asset Management & Acquisition. From time to time, but at least every five years, the insurance broker relationship is formally reviewed and a Request for Qualifications issued. In addition, the VPF may seek proposals from private insurance pools that CHH is eligible to participate in by virtue of association membership. Significant changes in coverage levels and addition or deletion of coverages will be reviewed by the CEO. No changes to Directors & Officers Liability coverage will be made without the approval of the Executive Committee.

20 Records Retention

It is the policy of CHH to retain records as required by law and to destroy them when appropriate. The destruction of records must be approved by the Vice President of Finance or Senior Vice President. The Finance Department maintains a records retention schedule for financial records and works with the City of Seattle Records Management Program to maintain a schedule that complies with city, state and federal law.



**CHH Board of Directors, Executive Committee Meeting and Individual Board Committee
Meeting Dates for 2019**

2019 BOARD MEETINGS:

*Unless otherwise noted, all full Board meetings begin at 6:00pm
and are located in the Pike Pine Meeting Room at 12AA*

January 14
February 11
March 11
April 8
May 13
June 10
July 8
August 12
September 9
October 14
Tuesday, November 12 (day after Veteran's Day observed)
December 9

2019 ANNUAL MEETING AND REPORT TO STAKEHOLDERS

Tuesday, April 2 – 8:30-10:00am Pike/Pine Meeting Room

2019 EXECUTIVE COMMITTEE MEETINGS:

*All held at Capitol Hill Housing Main Office Belmont Meeting Room
beginning at 5pm unless otherwise noted*

January 28
February 25
March 25
April 29
Tuesday, May 28 (day after Memorial Day holiday)
June 24
July 29
August 26
September 30
October 28
November 25
December 30

2019 JOINT CHH/F BOARDS RETREAT

Thursday, June 20 – 12:00-5:00 pm Pike/Pine Meeting Room



2019 COMMITTEE MEETINGS:

Arts District Steering Committee Meetings

First Wednesday of the Month from 4:00 – 5:00 pm
Pike/Pine Meeting Room

Audit Committee Meetings

Scheduled as required

Community Development Committee

Quarterly from 1:00-2:00p m
Belmont Meeting Room
Thursday, March 21
Thursday, June 20
Thursday, September 19
Friday, December 20

EcoDistrict Steering Committee Meetings

Monthly, Fridays as below from 9:00 - 10:30am
Pike/Pine Meeting Room

January 11
February 8
March 8
April 12
May 10
June 14
July 12
August 9
September 13
October 11
November 8
December 13



2019 COMMITTEE MEETINGS (CONT.):

Finance and Asset Management Committee Meetings

Every Other Month, First Tuesday of the Month at 4:00 pm

Malden Meeting Room

Thursday, January 3

March 5

May 7

July 2

September 3

November 5

Additional meeting: December 3

Property Development Committee Meetings

Monthly, First Tuesday of the Month from 5:30-6:30pm

Belmont Meeting Room

Wednesday, January 2*

February 5

March 5

April 2

May 7

June 4

July 2

August 6

September 3

October 1

November 5

December 3

Joint Board Development Committee

Every Other Month, 4th Wednesday from 4:00-5:00pm

Belmont Meeting Room

unless otherwise noted

January 30*

March 27

May 22

July 31*

September 25

November 20 at 3:30pm*



2019 COMMITTEE MEETINGS (CONT.):

Resident Experience and Property Management Committee Meetings

Monthly, First Tuesday of the Month at 3:00-4:00pm – Unless otherwise noted

Belmont Meeting Room

January 8*

February 5

March 5

April 2

May 7

June 4

July 2

August 13

September 3

October 1

November 5

December 3



**ADOPTED AT A MEETING OF
THE BOARD OF DIRECTORS OF THE
CAPITOL HILL HOUSING IMPROVEMENT PROGRAM,
A WASHINGTON PUBLIC CORPORATION**

RESOLUTION NO. 2016-15

Working Outside of Capitol Hill

WHEREAS, the Board adopted the 2015 Strategic Vision Framework via a motion in July, 2015, in which we envision taking our community development work beyond our base of Capitol Hill to other neighborhoods and communities through partnerships with community based organizations; and

WHEREAS, the Board and Leadership Team have updated the Strategic Plan consistent with the Strategic Vision Framework; and

WHEREAS, the Board approved the Real Estate Development and Acquisitions Policy in September 2015 which list the following geographic priorities for real estate development and acquisition:

- Capitol Hill, Seattle
- Transit Oriented Development-Projects that are within the *walkshed* of major transit facilities
- Central District, Seattle
- South King County
- Delridge and White Center; and

WHEREAS, the Charter of Capitol Hill Housing Improvement Program, Article VII, Section 3, states that Council authorization or concurrence is required for “Any project or activity outside of the Capitol Hill Community upon a determination by the Council that each project or activity will further the purpose of the Program”; and

WHEREAS, our community development work currently includes working in the Central Area, International District, White Center and other Seattle neighborhoods and communities, and in partnership with local CDCs, PDAs and community based organizations; and

WHEREAS, CHH has been invited to work in other Seattle neighborhoods and as a result, developed, owned and operated properties in other Seattle neighborhoods for many years including Belltown, South Lake Union, Rainier Valley, Central Area, Ballard, Fremont and Sandpoint; and

WHEREAS, we have created the first EcoDistrict and Arts District in Seattle and are sharing these models with others;

NOW, THEREFORE, BE IT RESOLVED by the Board of the Capitol Hill Housing Improvement Program as follows:

1. CHH staff are authorized to work outside of the Capitol Hill Community, consistent with the framework outlined above and provided that this authorization will be reviewed and renewed no later than December 2018.

CERTIFICATION

I, Selomé Teshome, certify that I am the Secretary of Capitol Hill Housing Improvement Program (“the Program”) and that the foregoing Resolutions were duly adopted at a meeting of the Board of Directors of the Program held on the 12th day of September 2016, in accordance with the Charter and Rules and Regulations of the Program upon proper notice and at which time a quorum was present.

DATED the 12th day of September 2016.

By Selomé G. Teshome

Its Secretary