



KESTREL
VERIFIERS™

Second Party Opinion

EXECUTIVE SUMMARY

ISSUER

King County, Washington

OPINION ON

Limited Tax General Obligation Bonds, 2021, Series C (Taxable) (Social Bonds)

SOCIAL STANDARD AND CATEGORIES



The
Social Bond
Principles

- Affordable Housing
- Socioeconomic Advancement and Empowerment

TARGET POPULATION(S)

Individuals and families that are (or at risk of) experiencing chronic homelessness

EVALUATION DATE

November 17, 2021

SUMMARY

Kestrel Verifiers is of the opinion that the King County, Washington, Limited Tax General Obligation Bonds, 2021, Series C (Taxable) (Social Bonds) conform with the four core components of the Social Bond Principles 2021 as follows:

▪ Use of Proceeds

The 2021C Bonds will finance affordable housing projects, including housing to address homelessness through the County's Health through Housing ("HtH") Initiative and transit-oriented affordable housing through the County's Transit-Oriented Development program. Bond proceeds will specifically finance acquisition of existing facilities, including former hotels, nursing homes, and other properties. The HtH Initiative aims to create up to 1,600 emergency housing and permanent supportive housing units by the end of 2022 for people experiencing chronic homelessness. The HtH Initiative is a unique and promising strategy to help confront homelessness because it (1) combines short-term and long-term strategies to prevent the perpetuation of homelessness, (2) exists at the intersection of housing, public transit, and public health and is therefore a holistic multi-sector approach and (3) challenges the politics of disgust surrounding homelessness. The 2021C Bonds align with two eligible project categories under the Social Bond Principles: *Affordable Housing* and *Socioeconomic Advancement and Empowerment*.

▪ Process for Project Evaluation and Selection

King County's Regional Affordable Housing Task Force Five-Year Action Plan and the Initial Health through Housing Implementation Plan 2022-2028 (November 2021) ("Implementation Plan"), inform the HtH Initiative and uses of 2021C Bond proceeds.

▪ Management of Proceeds

Proceeds from the 2021C Bonds will solely be allocated to finance the HtH Initiative, transit-oriented affordable housing and development, and to pay costs of issuance. Proceeds may temporarily be held in eligible conservative investments prior to allocation to housing projects and activities. Allocation to projects is governed by the 2021-2022 biennial budget and the Implementation Plan.

▪ Reporting

Accountability is central to HtH. Evaluation and Performance Measurement is one of the six primary strategies in the Implementation Plan to achieve HtH goals. Performance measures such as household demographics will be reported through the online HtH dashboard.



Second Party Opinion

Issuer:	King County, Washington
Issue Description:	Limited Tax General Obligation Bonds, 2021, Series C (Taxable) (Social Bonds)
Project:	Health through Housing Initiative
Social Standard:	Social Bond Principles
Social Categories:	Access to Essential Services Socioeconomic Advancement and Empowerment
Target Populations:	Individuals and families that are (or at risk of) experiencing chronic homelessness
Par:	\$466,150,000
Evaluation Date:	November 17, 2021

SOCIAL BONDS DESIGNATION

Kestrel Verifiers, an Approved Verifier accredited by the Climate Bonds Initiative, conducted an independent external review of the Limited Tax General Obligation Bonds, 2021, Series C (Taxable) (“2021C Bonds”) to evaluate conformance with the Social Bond Principles (June 2021) established by the International Capital Market Association.

This Second Party Opinion reflects our review of the uses of proceeds and conformance of the 2021C Bonds with the Social Bond Principles. In our opinion, the 2021C Bonds are aligned with the four core components of the Social Bond Principles and qualify for Social Bonds designation.

ABOUT THE ISSUER

King County (“County”) is located on the shores of Puget Sound and is the largest county in the State of Washington, and the twelfth-largest county in the United States. King County has the greatest population density compared to other counties in the state, and 30% of all Washington residents reside in King County. The County provides and oversees standard municipal services such as roads, courts, law enforcement, waste disposal, public health and human services, parks and recreation, and more. The County also manages the regional public transit system and wastewater treatment services.

In 2015, the Washington State Legislature provided the County with the authority to issue bonds, and a hotel/motel tax to establish and fund the transit-oriented development (“TOD”) program, which includes prioritizing affordable housing projects within one-half mile of public transit stops. The TOD program is currently projected to generate \$87 million in funds for housing dedicated to households that earn between 30% and 80% of the County’s median household income (approximately \$27,000-\$69,000 for a family of four). The County partners with nonprofit organizations, public development authorities, the King County Housing Authority, and other entities to develop affordable housing and related TOD program projects throughout the County. Access to public transportation can have positive impacts on physical and mental health as it leads to increased access to essential services, employment, medical care and social connections.

The County recognizes the importance of safe and affordable housing and its impacts on health and established the Health Through Housing (“HtH”) Initiative in 2020. The HtH Initiative is a program under the Department of Community and Human Services, and aims to address chronic homelessness by utilizing tax revenue to purchase and refurbish facilities to be used as emergency and permanent affordable housing.

ALIGNMENT TO SOCIAL STANDARDS

Social Bonds are any type of bond instrument where the proceeds, or an equivalent amount, will be exclusively applied to finance or refinance, in part or in full, new and/or existing eligible Social Projects and which are aligned with the four core components of the Social Bond Principles (International Capital Market Association definition).

Use of Proceeds

The 2021C Bonds will be used to finance affordable housing projects, including housing to address homelessness through the County’s Health through Housing (“HtH”) Initiative. 2021C Bond proceeds will specifically finance acquisition of existing facilities, including former hotels, nursing homes, and other properties, as outlined in the County’s 2021-2022 biennial budget. This is the first bond issuance for the HtH Initiative, and to date, King County has purchased nine properties through the HtH Initiative or its Transit-Oriented Development Program, as detailed in Appendix B. The bond-financed activities are eligible social projects as defined by the Social Bond Principles in the categories of *Affordable Housing* and *Socioeconomic Advancement and Empowerment*.

Social Standard



The Social Bond Principles

Eligible Project Categories:

- Affordable Housing
- Socioeconomic Advancement and Empowerment

State of Homelessness in the US and the HtH Initiative

As of January 2020: 580,466 persons in the US; 22,923 persons in the State of Washington; and 11,751 persons in Seattle and King County, Washington, were experiencing homelessness on any given night.^{1,2} Shelter is a basic human need: access to safe and reliable housing ensures access to a bed and bathroom, supports physical security, and offers the human dignity of an autonomous space. Moreover, access to shelter (i.e., safe and affordable housing) is a social determinant of health, and housing interventions for low-income persons have been found to improve health outcomes and decrease health care costs.³ For example, persons who are chronically homeless face substantially higher morbidity in terms of both physical and mental health, and of increased mortality.⁴ Unfortunately, many communities across the US lack the capital or the policies to support significant housing opportunities for persons and families experiencing homelessness, thus prolonging unsheltered homelessness and the detrimental impact on public health. Many cities sustain congregate shelters for persons experiencing homelessness, but these are not long-term solutions for the homeless crisis in the US because they do not create opportunities for permanent affordable housing.

The HtH Initiative, a regional approach to address chronic homelessness at the County scale, is unique in that it combines both emergency housing and long-term housing. The HtH Initiative is a coordinated effort to provide temporary (emergency) and permanent (long-term) housing opportunities by using advantageous economic conditions to purchase single-room properties, such as hotels. These properties can be immediately converted to emergency housing and then re-developed into permanent supportive housing over time. Rather than allocating resources to congregate shelters, the HtH Initiative invests in available housing stock that will be dedicated to persons experiencing homelessness, thus increasing the supply of

¹ “State of Homelessness: 2021 Edition,” National Alliance to End Homelessness, accessed November 17, 2021, <https://endhomelessness.org/homelessness-in-america/homelessness-statistics/state-of-homelessness-2021/>.

² “SOH: State and CoC Dashboards (Washington),” National Alliance to End Homelessness, accessed November 17, 2021, <https://endhomelessness.org/homelessness-in-america/homelessness-statistics/state-of-homelessness-dashboards/?State=Washington>.

³ “Social Determinants of Health,” US Department of Health and Human Services, accessed November 17, 2021, <https://health.gov/healthypeople/objectives-and-data/social-determinants-health>

⁴ Lauren Taylor, “Housing and Health: An Overview of the Literature,” Health Affairs, June 2018, <https://www.healthaffairs.org/doi/10.1377/hpb20180313.396577/full/>.

affordable housing.⁵ By repurposing existing buildings instead of constructing new facilities, the HtH Initiative fulfills critical housing needs while minimizing the environmental impact of newly constructed buildings. Moreover, HtH provides onsite 24/7 support services, including: case management, employment counseling, and access to health and behavioral health services.⁶ By integrating access to social support services into the housing strategy, the HtH Initiative provides opportunities for persons and families to maintain safe and reliable housing, improve access to health services, and increase opportunities to sustain decent employment and financial stability. A few of the primary goals of the HtH Initiative include:⁵

- Create up to 1,600 emergency housing and permanent supportive housing units by the end of 2022 for people experiencing homelessness, with the paramount goal of creating and operating 2,000 affordable permanent homes.
- House 45% of chronically homeless persons in King County.⁷
- Fund operational and supportive services within housing, including behavioral health services and evaluation and treatment centers.
- Annually reduce racial-ethnic disparities and disproportionalities among individuals experiencing homelessness.⁸

All persons and families served with affordable housing associated with these bonds must earn at or below 30% of Area Median Income, must be experiencing or at risk of chronic homelessness,⁹ and meet one or more of the following qualifications (required by the Washington State Legislature Revised Code of Washington 82.14.530):

- Persons with behavioral health disabilities;
- Senior citizens;
- Persons with disabilities;
- Domestic violence survivors;
- Homeless, or at risk of being homeless, families with children; or
- Unaccompanied homeless youth or young adults.¹⁰

Significance and Impact of the Health Through Housing Initiative

Progress in addressing homelessness has been uneven over the past two decades and the need to confront this issue remains urgent. New housing strategies are required in order to make significant impact, especially in the context of elevated unemployment rates, widespread evictions, and other consequences of COVID-19 that could diminish previous gains made by communities working to end homelessness.¹ The HtH Initiative is a unique and promising strategy to address homelessness for three reasons. First, in prioritizing the acquisition, redevelopment, and rehabilitation of single-room emergency and permanent housing for chronically underserved groups, the HtH Initiative tackles homelessness both in the present and in the future. In other words, King County combines short-term and long-term strategies to prevent the perpetuation of homelessness—an approach that is seldom pursued in the US. Second, the HtH Initiative exists at the intersection of housing, public transit, and public health and is therefore a holistic multi-sector approach to alleviating homelessness. King County actively pursues affordable housing projects that are aligned with transit-oriented development (“TOD”). This commitment to TOD is significant because the need for affordable housing located near low-cost transportation is paramount for economically disadvantaged

⁵ “Health Through Housing Proposal Summary,” King County Executive, September 25, 2020, https://kingcounty.gov/~media/depts/community-human-services/housing-homelessness-community-development/documents/affordable-housing-committee/Meeting_09-30-2020/Health_Through_Housing_Proposal.ashx?la=en

⁶ “Health Through Housing: A regional approach to addressing chronic homelessness,” King County, Washington, accessed November 17, 2021, <https://kingcounty.gov/depts/community-human-services/initiatives/health-through-housing.aspx>.

⁷ Based on data from the Homeless Management Information System, US Department of Housing and Urban Development, <https://www.hudexchange.info/programs/hmis/>.

⁸ Race is a significant predictor of homelessness. Numerically, white people are the largest racial group experiencing homelessness in the US. However, historically marginalized racial groups are far more likely to experience homelessness as a result of discrimination in employment, segregation in housing, and more.

⁹ 4 King County Code 24.30.010.F defines “experiencing chronic homelessness” as a household that includes an adult with a disability, that either is currently experiencing homelessness for at least 12 consecutive months or has experienced homelessness for a cumulative 12 months within the previous three years. https://kingcounty.gov/council/legislation/kc_code/33_Title_24.aspx

¹⁰ “Initial Health through Housing Implementation Plan 2022-2028,” King County Council, November 2021, <https://kingcounty.legistar.com/LegislationDetail.aspx?ID=5121460&GUID=7DC46271-C6B3-4D90-B6DE-DEF37CD0A7D5>.

groups. The HtH Initiative is connected to the County's TOD program and thus advances its commitment to providing equitable access to housing and public transit, both of which influence health outcomes. And third, the HtH Initiative challenges the politics of disgust¹¹ that can often surround persons and families experiencing homelessness. The US political economy has historically neglected and marginalized unsheltered persons under the assumption that they are unclean, dangerous, and second-class citizens who are unable to contribute to the economy. The multi-sector approach to single-room housing with support services reframes individuals experiencing homelessness as human beings who have inherent value in the economy. In our view, King County is exemplary in bringing this issue to the forefront and implementing an innovative approach to a tragic issue that exists in many communities.

Process for Project Evaluation and Selection

King County's Regional Affordable Housing Task Force Five-Year Action Plan and the Initial Health through Housing Implementation Plan 2022-2028 (November 2021) ("Implementation Plan") inform the HtH Initiative and uses of 2021C Bond proceeds. Funds must be used in accordance with laws which authorized a 0.1% sales tax to support the HtH Initiative.¹² The Implementation Plan outlines the overall goal of the program to create, operate, and maintain 1,600 units of emergency and permanent supportive housing.

The projects and activities financed by the 2021C Bonds are required to directly align with HtH's six implementation strategies that contribute to the overall goals of the initiative:

1. Capital Financing and Improvements for HtH Sites
2. Emergency and Permanent Supportive Housing Operations
3. Behavioral Health Services Outside HtH Sites
4. Capacity Building Collaborative
5. Evaluation and Performance Measurement
6. Future Acquisition of Additional Properties

While the Implementation Plan guides HtH activities between 2022 and 2028, the 2021C Bonds will also finance assessments and property acquisitions that occurred in 2021 prior to its adoption. Activities in 2021 included assessment of potential HtH sites for acquisition and evaluating whether prospective residents would meet eligibility criteria. Buildings identified for acquisition for HtH all meet the following prioritization criteria: existing buildings with 75-150 units; units with private bedroom and bathroom; recent construction (1990 or later); internal stairways; zoned for HtH; and supports ADA access.

In addition to the defining regulations and Implementation Plan, HtH also advances the County's Regional Affordable Housing Task Force Five-Year Action Plan ("Action Plan"), which describes the acute need for affordable housing and emphasizes the need for affordable units across the County. The HtH Initiative aligns with the following goals of the Action Plan: Goal 2: *Increase construction and preservation of affordable homes for households earning less than 50 percent area median income*; and Goal 7: *Better engage local communities and other partners in addressing the urgent need for and benefits of affordable housing*.

Management of Proceeds

Proceeds from the 2021C Bonds will solely be allocated to finance the HtH Initiative, consisting of transit-oriented affordable housing and development, and to pay costs of issuance. Proceeds may temporarily be held in eligible conservative investments prior to allocation to housing projects and activities. Allocation to projects is governed by the Implementation Plan.

¹¹ In the context of homelessness, the politics of disgust refers to the behavioral reflex to regard bodies on the street as unclean, dangerous, and/or lesser-than. Being homeless is often viewed as a worst-case scenario, and in effect society views any interpersonal interaction persons on the street as an unwanted spatial intimacy. Moral judgments toward the homeless not only rationalize these feelings, but also support reasoning behind the criminalization of the homeless. Posed this way, the homeless are to blame for their situation and are thus less deserving than the working middle and upper classes. It is important to challenge the politics of disgust toward the homeless because the politics of disgust is a toxic narrative that obscures the fact that most homeless persons were not entirely in control of their fate because of capitalist systems working against them.

¹² "Sales and use tax for housing and related services," Washington State Legislature, Revised Code of Washington 82.14.530, April 2021, <https://app.leg.wa.gov/rcw/default.aspx?cite=82.14.530>; "Affordable Housing Local Tax Revenue—Allowed Uses," Washington State Legislature, 2021 Session Law Chapter 27, April 2021, <https://lawfilesexternal.wa.gov/biennium/2021-22/Pdf/Bills/Session%20Laws/House/1070-S.SL.pdf?q=20210815073813>.

Reporting

The County will submit continuing disclosure information to the Municipal Securities Rulemaking Board (“MSRB”) so long as the 2021C Bonds are outstanding. The County will also provide reports in the event of material developments. This reporting will be done annually on the Electronic Municipal Market Access (“EMMA”) system operated by the MSRB.

Accountability is central to HtH. *Evaluation and Performance Measurement* is one of the six primary strategies to achieve HtH goals described in the Implementation Plan. Through the evaluation and program measurement activities, data on the equity, effectiveness, and efficiency of HtH activities will be collected to ensure accountability. The Results Based Accountability¹³ method will be used to assess results, in addition to a framework that encompasses population indicators, performance measurement, and in-depth evaluation. Performance measures, including household demographics where appropriate, will be reported through the online HtH dashboard. In addition to the dashboard, the County also maintains updated HtH locations on its website: <https://kingcounty.gov/depts/community-human-services/initiatives/health-through-housing.aspx>.

CONCLUSION

Based on our independent external review, the 2021C Bonds conform, in all material respects, with the Social Bond Principles (2021) and are in complete alignment with the *Affordable Housing and Socioeconomic Advancement and Empowerment* eligible project categories. By financing the Health Through Housing Initiative to expand access to affordable housing for individuals and families that are (or at risk of) experiencing chronic homelessness, the County is demonstrating leadership and providing an exemplary model for other regions with similar housing shortages to follow.

© 2021 Kestrel 360, Inc.

ABOUT KESTREL VERIFIERS



KESTREL
VERIFIERS™

For 20 years Kestrel has been a trusted consultant in sustainable finance. Kestrel Verifiers, a division of Kestrel 360, Inc. is a Climate Bonds Initiative Approved Verifier qualified to verify transactions in all asset classes worldwide. Kestrel is a US-based certified Women’s Business Enterprise. For more information, visit www.kestrelverifiers.com

For inquiries about our green and social bond services, contact:

- **Melissa Winkler**, Senior Vice President
melissa.winkler@kestrelverifiers.com
+1 720-384-4791

Verification Team

- Monica Reid, CEO
- April Strid, Lead ESG Analyst
- Melissa Audrey, Senior ESG Analyst



¹³ “What is Results-Based Accountability?” Clear Impact, accessed November 16, 2021, <https://clearimpact.com/results-based-accountability/>.

DISCLAIMER

This Opinion aims to explain how and why the discussed financing meets the ICMA Social Bond Principles based on the information which was available to us during the time of this engagement (November 2021) only. By providing this Opinion, Kestrel Verifiers is not certifying the materiality of the projects financed by the Social Bonds. It was beyond Kestrel Verifiers' scope of work to review for regulatory compliance and no surveys or site visits were conducted. Furthermore, we are not responsible for surveillance on the project or use of proceeds. Kestrel Verifiers relied on information made publicly available by the County. The Opinion delivered by Kestrel Verifiers does not address financial performance of the Social Bonds or the effectiveness of allocation of its proceeds. This Opinion does not make any assessment of the creditworthiness of the County, or its ability to pay principal and interest when due. This is not a recommendation to buy, sell or hold the Bonds. Kestrel Verifiers is not liable for consequences when third parties use this Opinion either to make investment decisions or to undertake any other business transactions. This Opinion may not be altered without the written consent of Kestrel Verifiers. Kestrel Verifiers reserves the right to revoke or withdraw this Opinion at any time. Kestrel Verifiers certifies that there is no affiliation, involvement, financial or non-financial interest in the County or the projects discussed. We are 100% independent. Language in the offering disclosure supersedes any language included in this Second Party Opinion.



KESTREL
VERIFIERS™

Appendix A.

CURRENT HEALTH THROUGH HOUSING PROPERTIES

King County has purchased or made agreements to purchase nine properties in the Health through Housing initiative:

- Renton – 110 units
- Seattle – 80 units
- North Seattle - Aurora – 99 units
- Redmond – 144 units
- Auburn – 102 units
- Pioneer Square (Seattle) – 80 units
- Federal Way – 101 units
- North Seattle - Stone – 131 units
- Queen Anne – undisclosed units⁶



Appendix B.

HEALTH THROUGH HOUSING SUPPORTING GOALS

Health through Housing (HtH) Initiative Supporting Goals from 2022 through 2028:

Supporting Goal 1

Annually reduce racial and ethnic disproportionality among persons experiencing chronic homelessness in King County (required by King County Code 24.30.030.A.1).

Supporting Goal 2

Create and operate a mobile behavioral health intervention program with access for its clients to housing created, operated, or otherwise supported by HtH sales tax proceeds (required by KCC 4.30.030.A.5).

Supporting Goal 3

Increase HtH resident health by providing health care system enrollment and access on-demand to integrated healthcare for all HtH residents while they reside in a HtH building.

Supporting Goal 4

Convert (through rehabilitation or “rehab”) into permanent supportive housing by December 31, 2028, at least 50 percent of HtH units that enter the portfolio as emergency housing.

Supporting Goal 5

Increase the number of organizations that can operate emergency supportive, permanent supportive, or other affordable housing and that also specialize in serving a demographically overrepresented population or community among King County’s chronically homeless population.

Supporting Goal 6

Establish and maintain an online, publicly reviewable “dashboard” depicting current and historical performance data and information about the HtH Initiative.

Supporting Goal 7

Publish by December 31, 2026, an in-depth evaluation of the HtH Initiative’s effectiveness.