



# TACOMA HOUSING AUTHORITY

## RESOLUTION 2018-06-27 (1)

**Date:** June 27, 2018  
**To:** THA Board of Commissioners  
**From:** Michael Mirra  
Executive Director  
**Re:** Purchase & Sale Agreement for Sale of 7 Lots at Salishan

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*This resolution will allow Tacoma Housing Authority (THA) to enter into Purchase and Sale Agreement to sell 7 Lots at Salishan.*

### Background

THA's Salishan HOPE VI redevelopment project is nearing complete build-out. The remaining areas that need to be developed include (a) the Salishan Core; (b) Arlington Road site; and (c) the remaining seven (7) lots in Area 2B. THA received a very competitive offer from TAC Build LLC to purchase those seven (7) lots.

The infrastructure is in place for these lots. Five (5) lots are zoned for duplex units and two (2) lots are zoned for four-plex units. High construction and property management costs, along with the small scale of the project, makes it hard for THA to develop these lots on its own for affordable housing purposes. THA is also busy with other projects.

### Buyer Proposal

THA received an unsolicited offer for the purchase of these lots from TAC Build LLC. TAC Build LLC is a minority owned company. Michael G. Hopkins is its principal owner. Michael has been a builder in the Pierce County area for the past 10 years. He describes his company this way: "TAC Build LLC strives to build quality homes that are affordable delivering the best possible home value to each new homeowner. In the last few years Tac Build LLC has built, remodeled and sold over 30+ homes. We are a builder committed to Pierce County and we are dedicated to improving the local community."

### Sales Analysis

A third party comparable sales analysis has determined these five (5) duplex parcels to be worth \$75,000 to \$80,000 each, or \$375,000-\$400,000 in aggregate and the two (2) four-plex parcels may be worth \$95,000 to \$105,000 each, or \$190,000-\$210,000 in aggregate. The total gross value for all lots range from \$565,000-\$610,000.

### **Details of the Proposed Sale**

- *Purchase Price*  
\$575,000.
- *Earnest Money*  
3% (\$17,250.00) delivered to THA within 3 days.
- *Broker Fee*  
THA will pay the broker a fee totaling 5% of the purchase price.
- *Feasibility Contingency*  
Buyer shall have 45 days for due diligence.
- *Ownership Structure and Use of the Units to be Built*  
Tac Build LLC will own the units and rent them at market rate. The buyer will notify THA if the buyer will ever sell the units and give THA a right of first refusal.
- *Unit Mix*  
Five (5) duplexes and two (2) four-plexes for a total of 18 units.
- *Proposed Development Schedule and THA's Recovery in the Event of Default*  
After the purchase of the land and title transfer is complete, the builder anticipates that he will complete construction of the two (2) four-plex units within 9-13 months. He will complete the two (2) duplex buildings 8-11 months after that and the remainder three (3) duplex buildings will be completed 8-11 months after that. Total build out is expected 36 months after the property sale closes. THA will recover the property if the owner does not perform.
- *Affordability*  
The owner will rent the units at market rate.
- *Design Approval*  
The owner must get approval for design from THA and the Salishan Association.
- *No Assignment*  
The buyer will not be able to assign the PSA or to sell the properties to another builder without THA consent.
- *Affirmatively Further Fair Housing*  
The buyer must make meaningful efforts for a racially diverse pool of renters.

**Staff believe that selling all of the lots at this time is warranted given the following**

- THA does not have the time or the money to develop these parcels on its own.
- THA needs the money from the sale to finish the Salishan Core.
- The sale will eliminate the annual holding costs associated with these lots.
- This development will complete the build-out of Area 2B.
- The sale of the lots will mitigate future market risk. While it may be possible to receive more money in the future, it is also possible that the value will drop.
- TAC Build LLC is believed to be a reliable and considerate partner

### **Recommendation**

Approve Resolution 2018-06-27 (1) authorizing THA's Executive Director to negotiate, and if those negotiations are successful, to execute the Purchase and Sale Agreement with TAC Build LLC for the purchase of 7 lots in Salishan Area 2B to be developed as duplexes and four-plexes. The terms of the PSA are to be substantially as outlined above.





# TACOMA HOUSING AUTHORITY

## **RESOLUTION 2018-06-27 (1)** **(Purchase & Sale Agreement for Sale of 7 Lots at Salishan)**

A **RESOLUTION** of the Board of Commissioners of the Housing Authority of the City of Tacoma

**WHEREAS**, The Housing Authority of the City of Tacoma (the "Authority") seeks to encourage the provision of long-term housing for low-income persons residing within the City of Tacoma, Washington (the "City"); and

**WHEREAS**, The RCW 35.82.070(2) provides that a housing authority may "prepare, carry out, acquire lease and operate housing projects: and "provide for the construction, reconstruction, improvement alteration or repair of any housing project or any part thereof..."; and

**WHEREAS**, RCW 35.82.020 defines "housing project" to include, among other things, "any work or undertaking...to provide decent, safe and sanitary urban or rural dwellings, apartments, mobile home parks or other living accommodations for person of low income"; and

**WHEREAS**, The Authority is authorized by the Housing Authorities Law (chapter 35.82 RCW) to, among other things: (i) "prepare, carry out, acquire, lease and operate housing projects; to provide for the construction, reconstruction, improvement, alteration or repair of any housing project or any part thereof" (RCW 35.82.070(2)); (ii) "lease or rent any dwellings . . . buildings, structures or facilities embraced in any housing project" (RCW 35.82.070(5)); (iii) "make and execute contracts and other instruments, including but not limited to partnership agreements" (RCW 35.82.070(1)); (iv) "delegate to one or more of its agents or employees such powers or duties as [the Authority] may deem proper" (RCW 35.82.040); and (v) "make ... loans for the ... acquisition, construction, reconstruction, rehabilitation, improvement, leasing, or refinancing of land, buildings, or developments for housing persons of low income."; and

**WHEREAS**, The Executive Director and the Board of Commissioners find the terms of the Purchase and Sale Agreement acceptable to THA; now, therefore, be it

***Resolved by the Board of Commissioners of the Housing Authority of the City of Tacoma, Washington as follows:***

1. The Executive Director has the authority to negotiate, and if those negotiations are successful, to execute a Purchase and Sale Agreement with TAC Build LLC.
2. Acting Officers Authorized. The proper officers of the Authority are and are hereby authorized, empowered, and directed to take such further action on behalf of the Authority as they deem necessary to effectuate the foregoing sections of this resolution. Any action required by this resolution to be taken by the Executive Director of the Authority may in

his absence be taken by the duly authorized acting Executive Director of the Authority.

3. This resolution shall be in full force and effective from and after its adoption and approval.

**Approved: June 27, 2018**

A handwritten signature in blue ink, appearing to read "Janis Flauding" followed by a flourish.

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Janis Flauding, Chair