



# TACOMA HOUSING AUTHORITY

## RESOLUTION 2018-12-12 (6)

**Date:** December 12, 2018

**To:** THA Board of Commissioners

**From:** Michael Mirra  
Executive Director

**Re:** Approval of Property Based Subsidy Contract—Koz on Market Street Apartments

*Tacoma Housing Authority (THA) issued a Request for Proposals for Property Based Subsidies. This resolution will award Property Based Subsidies to Koz 1554 Market Street LLC's Koz on Market Street Apartments.*

### Background

On August 7, 2018, THA issued a Request for Proposals (RFP) for up to 200 property-based subsidies. In September THA awarded 62 of these vouchers to Highland Flats (former Tiki Apartments). The RFP has remained open and THA has committed to reviewing all new proposals every 30 days. In November, THA received another response Koz 1554 Market Street LLC. THA scores all proposals were scored based on:

- owner experience;
- units set aside for households below 30% area median income (AMI) receive 3 points each;
- units set aside for households below 40% AMI receive 2 points each;
- units set aside for households below 50% AMI receive 1 points each;
- units set aside for households with a student attending Tacoma Community College receive additional points; and
- units set aside for households with a student attending Tacoma Public Schools receive additional points.

At this time, the RFP review committee recommends awarding property-based subsidies to Koz 1554 Market Street for its Koz on Market Street Apartments. This award is for 52 units. This is a market rate property that is nearing the completion of its construction. The property has a total of

104 units, all studio “micro” apartments. The property was planned to be rented to market rate University of Washington Tacoma (UWT) students. When THA approached the property owner to see if they were interested in making any units available to low-income students they immediately expressed interest in the opportunity and have been working with THA and University of Washington-Tacoma (UWT) to craft a proposal to serve homeless and low-income UWT students that could benefit from this housing. Though THA is not awarding extra points for the owner’s partnership with UWT, nor its proximity to UWT, the proposal still scores adequate points to be recommended for this award and we are excited to support this partnership.

The basic components of this award include:

1. 52 units will be set aside for households with the following incomes:
  - 1.1. 26 units will be for households below 30% area median income (AMI);
  - 1.2. 10 units below 40% AMI;
  - 1.3. 10 units below 50% AMI; and
  - 1.4. 6 units below 60%.
2. Koz will attempt to fill the 26 units for households below 30% AMI with homeless UWT students. All other assisted units will be filled in the following priority order:
  - 2.1. UWT students that are near homeless;
  - 2.2. TCC students currently receiving a THA subsidy under the College Housing Assistance Program (CHAP) that would end upon transferring to UWT;
  - 2.3. Households that include at least one UWT student;
  - 2.4. If a unit cannot be filled by a qualified UWT student within 14 days of a unit vacancy/availability then the owner will advertise to the general public and lease to a qualified tenant earning at or below the established area median income limit for the particular unit; and
  - 2.5. If, at any time during this contract, UWT is unable to provide sufficient referrals to fill vacancies at this property, THA and the owner may work with other post-secondary institutions, including Tacoma Community College and Bates, to establish a referral system to the property.
3. Tenant rents are fixed regardless of the tenant’s actual income. During the first full year of this contract, rents and THA subsidies will approximate to the amounts in the table below:

AMI %	Maximum Allowable monthly income: 1 person HH	Maximum Allowable monthly income: 2 person HH	Bedroom size	Contract Rent*	Maximum Tenant Rent	# of Units	Annual THA Contribution
30%	\$1,308	\$1,493	0	\$905	\$392	26 \$	160,056
40%	\$1,743	\$1,990	0	\$905	\$523	10 \$	45,840
50%	\$2,179	\$2,488	0	\$905	\$653	10 \$	30,240
60%	\$2,615	\$2,985	0	\$905	\$784	6 \$	8,712
						52 \$	244,848

\*This is an average contract rent and will vary as units for this program are identified.

This provides predictable rent amounts for tenants rather than having tenant rents vary as tenant incomes go up and down. This makes the program easier to explain, understand and manage for both tenants and landlords. The fixed subsidy also removes a disincentive for tenants to increase their earned income because the tenant's share of the rent will not increase if they earn more. On the other hand, it also means that a tenant's rent share will not decrease if their income goes down. In this way, it is similar to THA's Housing Opportunity Program (HOP) but tied to a property rather than assigned to a tenant.

4. The subsidies to the owner will be set on an annual basis rather than varying month-to-month based on tenant rent calculations. The subsidy will be based on the difference between the market value of the unit and the tenant rent. This provides a stable and predictable and easy to administer income stream for the owners and predictable expenses for the housing authority. The value of this subsidy contract will be approximately \$245,000 per year.
5. The owner will be responsible for advertising its vacancies, screening its tenants and verifying the income of the tenants. Tenants will not have a relationship with THA. They will just realize affordable rents at the property level based on the subsidy that THA provides to the owner. The arrangement will offer tenants the tenant protections of THA's other programs.

With the approval of this resolution, THA will begin negotiating the contract with Koz 1554 Market Street LLC. The contract term will be four (4) years. The basic components of the contract will include:

- tenant protections for the occupants of the property
  - Leases cannot be terminated without good cause
  - Tenants are eligible for a HOP subsidy if the contract with the owner terminates;
- leases at the property cannot be renewed more than three consecutive lease terms. This builds in time for an occupant to attend UWT and complete a degree or certificate program without having a requirement that they maintain student status. If an occupant does not attend UWT, this contract term will ensure adequate unit turnover to serve more UWT students in need of housing;
- the terms of the annual subsidy payment;
- a requirement that the property maintain 95% occupancy;
- monthly reporting to ensure THA meets its Moving to Work reporting requirements that are required as a condition of providing this type of subsidy;

- units must pass Housing Quality Standards (HQS) inspections; and
- tenant screening criteria.

With the approval of this resolution, THA will negotiate the contract with the owner.

### **Recommendation**

Approve Resolution 2018-12-12 (6) authorizing THA's Executive Director to negotiate, and if those negotiations are successful, execute a Property Based Subsidy contract with Koz 1554 Market Street LLC.



# TACOMA HOUSING AUTHORITY

## **RESOLUTION 2018-12-12 (6) (Approval of Property Based Subsidy Contract)**

**WHEREAS**, Tacoma Housing Authority (THA) has held a competitive process for property-based subsidies; and

**WHEREAS**, Koz 1554 Market Street LLC was the highest scoring respondent and will be awarded subsidies for fifty-two (52) units; and

**WHEREAS**, the effective date of the contract will be up to the discretion of the Executive Director; and

**WHEREAS**, the contract term will be up to four (4) years; now, therefore, be it

***Resolved by the Board of Commissioners of the Housing Authority of the City Of Tacoma, Washington, that:***

THA's Executive Director is authorized to negotiate, and if those negotiations are successful, execute a Property Based Subsidy payment contract with Koz 1554 Market Street LLC.

**Approved: December 12, 2018**

  
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Dr. Minh-Anh Hodge, Chair  
STAN RUMBAUGH