



# TACOMA HOUSING AUTHORITY

## RESOLUTION 2019-01-23 (2)

**Date:** January 23, 2019  
**To:** THA Board of Commissioners  
**From:** Michael Mirra  
Executive Director  
**Re:** Approval of Property Based Subsidy Contract—Crosspointe Apartments

*Tacoma Housing Authority (THA) issued a Request for Proposals for Property Based Subsidies. This resolution will award Property Based Subsidies to CWD Investments' Crosspointe Apartments, a market rate apartment building near the Tacoma Community College campus.*

### Background

On August 7, 2018, THA issued a Request for Proposals for up to 200 property-based subsidies. In September THA awarded 62 of these subsidies to Highland Flats and in December THA awarded 52 subsidies to Koz on Market Street Apartments. Both awards served THA's College Housing Assistance Program (CHAP) by housing homeless and housing insecure students at Tacoma Community College (TCC) and University of Washington Tacoma.

The RFP has remained open and THA has committed to reviewing all new proposals every 30 days. Proposals are 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.

Staff recommend awarding property-based subsidies to Crosspointe Apartments, the most recent respondent. Doing this would be an additional expansion of THA's College Housing Assistance Program (CHAP) serving homeless and near homeless TCC students.

Crosspointe is a market rate property with 38 apartments at 1001 South Mildred Street. It is within a 3 minute walk to TCC's campus. CWD Investments is the owner. CWD also owns Highland Flats, which also has a contract with THA for similar subsidies.

Crosspointe is currently undergoing significant renovation. This award is for nineteen (19) units at Crosspointe Apartments, out of the total of 38 apartments. This property is currently 79% occupied with the eight vacant units going through significant renovation. The owner plans to renovate at least eleven additional units in 2019. The owner would plan to put the first eight subsidies on the eight vacant, renovated units and offer an inter-property transfer to eight tenants occupying units planned for future renovation. The owner would then renovate those newly vacated units and fill them with inter-property transfers upon completion. The remaining three units to receive subsidies will either be units vacated by inter-property transfers or units that become vacant due to regular tenant attrition.

The goal in this plan is to ensure that no existing Crosspointe residents are dislocated due to the renovation at the property. The incomes of the current tenants is unknown at this time. Once that information becomes available, staff will negotiate the subsidy and tenant rent levels by-unit for the initial leases at this property. Property-based subsidies will not be offered on units that will be occupied by existing tenants with incomes exceeding 50% of area median income nor tenant with voucher subsidies.

Once the final units have been renovated and are not slated to be filled by tenants completing an inter-property transfer, vacant units will be filled with new tenants. All units filled post-rehab will be filled with tenants earning below 30% of area median income based on the size of the household, with a first preference for students at Tacoma Community College.

With the Board's approval of this resolution, I will negotiate, and if those negotiations are successful, execute a contract with the owner, CWD Investments. The basic elements of this award will resemble the recent contract with Highland Flats and Koz on Market. Those elements include the following:

- The contract will last for seven (7) years.
- Units will be filled in the following priority order:
  1. TCC households that have been issued a College Housing Assistance Program (CHAP) voucher by Tacoma Housing Authority.
  2. TCC households that are homeless and eligible for CHAP under TCC screening criteria but have not been issued a voucher.
  3. Other TCC households that are eligible for CHAP under TCC screening criteria but have not been issued a voucher.
  4. TCC households that are earning below 30% area median income.
  5. If a unit cannot be filled by a qualified TCC 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 30% of area median income.

6. If, at any time during this contract, TCC is unable to provide sufficient referrals to fill vacancies at this property, THA and the owner may work with other post-secondary institutions, including University of Washington-Tacoma and Bates, to establish a referral system to the property.
- Tenant rents are fixed regardless of the tenant's actual income. For this property, tenant rents will be \$420 for a one-bedroom and \$504 for a two-bedroom. 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 HOP program but tied to a property rather than assigned to a tenant.
  - 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 \$196,000 per year.
  - 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 the housing authority. They will just realize affordable rents at the property level based on the subsidy that is being provided to the owner. The arrangement will offer tenants the tenant protections of THA's other programs.
  - 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
  - With the exception of units filled with inter-property tenant transfers, leases at the property cannot be renewed more than three consecutive lease terms. This builds in time for an occupant to attend TCC and complete a degree or certificate program without having a requirement that they maintain student status. If an occupant does not attend TCC, this contract term will ensure adequate unit turnover to serve more TCC 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.
  - Tenant screening criteria.

**Recommendation**

Approve Resolution 2019-01-23 (2) authorizing THA's Executive Director to execute Property Based Subsidy contract with CWD Investments.



# TACOMA HOUSING AUTHORITY

## **RESOLUTION 2019-01-23 (2) (Approval of Property Based Subsidy Contract)**

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

**WHEREAS**, CWD Investments was the highest scoring respondent and will be awarded subsidies for nineteen (19) units; and

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

**WHEREAS**, Each contract will be negotiated with the property and will be in effect for up to seven (7) 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, to execute a Property Based Subsidy payment contract with CWD Investments based on the terms set forth in the resolution memo.

**Approved: January 23, 2019**

A handwritten signature in blue ink, appearing to read "Minh-Anh Hodge", written over a horizontal line.

Dr. Minh-Anh Hodge, Chair