



TACOMA HOUSING AUTHORITY

RESOLUTION 2019-05-22 (3)

Date: May 22, 2019
To: THA Board of Commissioners
From: Michael Mirra
Executive Director
Re: 1800 Hillside Terrace Use of Restricted Funds Additional Request

This resolution would authorize Tacoma Housing Authority's (THA) Executive Director to submit a request to Housing and Urban Development (HUD) to increase the use of restricted funds for predevelopment and development expenses associated with THA's 1800 Hillside Terrace Development. The amount to be requested is an increase in funding from \$2 Million to \$2.6 Million.

Background

On October 24, 2018, the Board of Commissioners adopted resolution 2018-10-24 (5) authorizing staff to request \$2 Million in restricted funds from HUD to use for the predevelopment and development expenses associated with building 1800 Hillside Terrace.

THA has finalized the development and financing plan for the 1800 block of Hillside Terrace. The project successfully received an allocation of Low Income Housing Tax Credits (9%), including a 2.9% increase in credits from the initial application. Another \$1.8 Million in Housing Trust Fund has been awarded to the project and \$300,000 in UDAG funds and \$250,000 in CDBG funds are committed from the City of Tacoma Reinvestment Authority. The balance of the project will be financed with long-term debt and a sponsor loan from THA. The use of the restricted funds constitutes the source of funds for the sponsor loan. This loan is currently projected to be \$2,475,000. Rising construction costs and design elements, such as additional community square footage, along with increased operating costs and a lower than projected tax credit equity price have increased the funding gap for this project. Staff is requesting slightly more in restricted funds than may be needed to support the sponsor loan because the project is being bid at this time and final construction costs could be higher than currently projected.

The new units will be affordable to households with incomes between 30% and 60% of area median income. The development will offer one and two bedroom units in a single mid-rise elevator building. Of the 64 units, 20% will be set-aside for individuals with disabilities and another 20% will be available for homeless persons and families.

THA received a revised letter from HUD dated November 30, 2018, approving THA to use \$2,000,000 in restricted funds for the development and predevelopment of 1800 Hillside Terrace. In return for use of these funds, THA committed that at least nine units would be permanently affordable.

Current Request

Based on the expectation that the use of these funds will result in the creation of affordable housing, this resolution approves THA to request HUD to allow THA to use an additional \$600,000 in restricted funds from proceeds of the sale of THA's Public Housing Scattered Sites or land sold to DR Horton in Salishan.

As part of the HUD restriction for these funds, a minimum portion of the resulting units must be dedicated to the creation of affordable housing. Originally, nine (9) units were committed as affordable. If the \$600,000 request is approved, THA will commit three (3) additional units to HUD so the HUD requirement for use of restricted funds for affordable housing can be met for a total of 12 units. The estimated total restricted funds to be used is \$2,600,000.

Recommendation

THA staff recommends applying to HUD for permission to use these funds and commit to providing at least three (3) additional units of affordable housing on these parcel(s).



TACOMA HOUSING AUTHORITY

RESOLUTION 2019-05-22 (3) (THA's 1800 Hillside Terrace Use of Restricted Funds Additional Request)

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

WHEREAS, THA's Board of Commissioners approved Resolution 2018-10-24 (5) authorizing staff to see permission to use \$2M in restricted fund for the predevelopment and development expenses associated with building 1800 Hillside Terrace; and

WHEREAS, On March 22, 2018, Tacoma Housing Authority (THA) Staff issued a Request for Qualifications (RFQ) from firms interested in providing architectural and engineering services for the redevelopment of THA's 1800 Hillside project; and

WHEREAS, THA received approval to use \$2M in restricted funds to develop 1800 Hillside Terrace; and

WHEREAS, THA staff expect to use a total of \$2,600,000 in restricted funds from either the sale of land in Salishan or the sale of Public Housing Scattered site units for predevelopment and development costs associated with the Hillside 1800 project; and

WHEREAS, HUD restricts the use of these funds to increase affordable housing that have Project Based Vouchers and requires HUD approval to use the funds; and

WHEREAS, At least three (3) additional and twelve (12) total of the resulting units must be dedicated to the creation of affordable housing with Project Based Vouchers; and

WHEREAS, THA staff expect to be able to meet this requirement with the resulting development; now, therefore, be it

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

Apply to HUD for permission to use an additional \$600,000 of restricted funds for the use of predevelopment and development of THA's 1800 Hillside Terrace project for at least three (3) additional units dedicated to affordable housing.

Approved: May 22, 2019



Dr. Minh-Anh Hodge, Chair