



TACOMA HOUSING AUTHORITY

RESOLUTION 2019-12-11 (5)

Date: December 11, 2019
To: Board of Commissioners
From: Michael Mirra, Executive Director
Re: Letter of Intent to Tacoma Public Schools for Gault School Acquisition

Purpose

Tacoma Public School District has invited organizations to submit Letters of Intent for their acquisition of Gault Middle School and associated properties. This resolution would authorize the THA Executive Director to submit a nonbinding Letter of Intent to the Tacoma Public Schools proposing terms for THA's acquisition of the property.

Background

Tacoma Public Schools (TPS) has invited THA to submit a Letter of Intent proposing terms for TPS's transfer to THA of Gault Middle School, located at 1115 East Division, and associated properties. The TPS invitation is attached. The original school building is on one parcel consisting of 3.92 acres. The original school was constructed in 1920's. It is a two-story brick building. TPS added additional buildings, including a pool through a joint agreement with the City of Tacoma, Metro Parks and TPS. The property also includes a 3.37-acre field that is just east of the school.

THA staff visited the site in October. The property is in disrepair. Staff were only allowed to walk the original school building. The building has suffered considerable vandalism. The roof over the main building is leaking, with floors heaving due to moisture in several areas. The roof over the pool in an adjacent building has caved in. The basic structure of the original school building appears to be solid.

TPS values the property at \$1.333 million. Its invitation seeks "full-value" for the transfer, "which can be achieved through non-cash consideration."

Staff believe that this would be a good acquisition for THA. Development plans would await a robust community consultation. Preliminarily, staff envisions a redevelopment in several phases with the following elements:

- preservation and remodel of the original school building to provide community space and services on the lower level (perhaps studios, child care, community center) as well as housing, perhaps artist lofts;

- rental housing on the balance of the site, both market rate and affordable; the site can probably hold at least 120 apartments;
- outdoor community space.

THA's first priority upon acquisition would be to fix the leaky roof on the original school building, to stop the deterioration from leaks, demolish the adjacent buildings, and secure the site.

Staff has begun investigating revenue sources for the demolition and redevelopment, including the City of Tacoma.

Key Business Points

This resolution would authorize the Executive Director to submit a Letter of Intent to TPS proposing that TPS transfer the property to THA terms substantially as follows:

Acquisition

TPS will make an intergovernmental transfer of the Property to THA as permitted by applicable State law (*e.g.*, Chap. 39.33 RCW, Chap. RCW 35.83).

Compensation

THA offers TPS the following as "full value" for the transfer:

1. Beginning in 2020, THA will expand its Tacoma Schools Housing Assistance Program (TSHAP) to house or pay to house homeless families with TPS enrolled students. It will commit to the expanded program at least through 2024. The value of this five-year THA commitment will approximate \$3.8 million, on the following schedule:
 - 2020: \$400,000;
 - 2021: \$400,000;
 - 2022: \$1 million;
 - 2023: \$1 million;
 - 2024: \$1 million.
2. THA will continue to host a TPS Head Start classroom at THA's Bay Terrace property. THA built this classroom to Head Start specifications at no cost to TPS. The current estimated annual rental value for this space is \$54,000. THA will continue to waive the rent for this space, at an estimated value of \$270,000 over five (5) years.
3. THA will make a portion of the affordable housing that it will construct on the property available to extremely low- and low-income families with children enrolled in TPS schools. The estimated value of this commitment, both capital and rental subsidy over the useful life of the housing, exceeds \$20 million.
4. THA will engage in a robust effort to consult the community about the development of the property;

5. THA will develop and manage the property in ways that serve the community, and that promote shared values of equity and social justice.
6. More generally, THA would regard this property transfer as yet another elaboration in the mature and innovative partnership between THA and TPS in service to Tacoma, especially its school age residents, and of them, especially those from low-income families.

Due Diligence Contingency

THA shall have 90 days following the full execution of the Purchase and Sale Agreement (PSA) to perform certain due diligence as it determines in its sole and absolute discretion, including, but not limited to environmental, engineering, compliance, title, survey and other real estate related due diligence. To help with this due diligence, the PSA shall direct TPS to share its pertinent records about the Property with THA and disclose what it knows about its history and condition. THA may terminate the PSA at any time prior to the expiration of the Due Diligence Period, for any reason or no reason at all, and at THA's sole and absolute discretion.

Public Notice and Consultation Contingency

Closing is conditioned upon completion of a process, that THA will devise and implement, to inform the property's neighbors and the public about this proposed transaction, and to elicit views about it. This consultation will preview possible future uses of the property. THA will consult with TPS in devising and implementing this consultation process. TPS will participate in the process, including attendance at public meetings. As part of this process, TPS and THA agree to hold a public hearing as contemplated by Chap. 39.33 RCW. TPS will host such public hearing. THA will participate in that public hearing. THA and TPS will also cooperate in the preparation of the forms of the public notice and news release contemplated by RCW 39.33.020.

In addition, THA contemplates that, should it acquire the property, it will engage in a further effort to consult the public and the neighbors about possible uses of the property. The further effort will come when THA is ready to develop the details of its plans for the property.

THA Board Approval

Final closing of the transaction is contingent on THA Board approval within 30 days after the completion of the due diligence period.

Closing

Closing shall be on or before the 60th day following THA's removal of all contingencies.

Exclusivity

TPS will not engage in sale or transfer discussions concerning the Property with other parties while discussions between TPS and THA are underway.

Assignment

THA may not assign its rights under the PSA to any other party, without TPS's written approval.

Other Terms

TPS and THA acknowledge a 1982 Interlocal agreement among the City of Tacoma, Metro Parks, and TPS related to Gault Pool. TPS and THA will work with the City and Metro Parks and any other entity that may be necessary to meet or modify the requirements of that 1982 agreement.

Recommendation

Approve Resolution 2019-12-11(5) authorizing THA's Executive Director to negotiate a Letter of Intent (LOI) to purchase Gault Middle School on the terms set forth above. This will not commit THA to the transaction. The Board must give final approval of the Purchase and Sale Agreement.



TACOMA HOUSING AUTHORITY

RESOLUTION 2019-12-11 (5)

(Submit a Letter of Intent to the Tacoma Public Schools for the Acquisition of Gault Middle School)

WHEREAS, Tacoma Public Schools (TPS) has invited THA to submit a Letter of Intent proposing the terms for TPS to transfer to THA the old Gault Middle School and associated fields and property;

WHEREAS, the property is suitable for redevelopment of affordable and market rate housing and indoor and outdoor community uses;

WHEREAS, TPS estimates the property's value at \$1.333 million. It is seeking "full-value" for the transfer, "which can be achieved through non-cash consideration."

WHEREAS, THA can offer TPS "full value" for the property over the next five years at least, as follows:

1. Beginning in 2020, THA will expand its Tacoma Schools Housing Assistance Program (TSHAP) to house or pay to house homeless families with TPS enrolled students. It will commit to the expanded program at least through 2024. The value of this five-year THA commitment will approximate \$3.8 million, on the following schedule:
 - 2020: \$400,000;
 - 2021: \$400,000;
 - 2022: \$1 million;
 - 2023: \$1 million;
 - 2024: \$1 million.
2. THA will continue to host a TPS Head Start classroom at THA's Bay Terrace property. THA built this classroom to Head Start specifications at no cost to TPS. The current estimated annual rental value for this space is \$54,000. THA will continue to waive the rent for this space, at an estimated value of \$270,000 over five (5) years.
3. THA will make a portion of the affordable housing that it will construct on the property available to extremely low- and low-income families with children enrolled in TPS schools. The estimated value of this commitment, both capital and rental subsidy over the useful life of the housing, exceeds \$20 million.
4. THA will engage in a robust effort to consult the community about the development of the property;
5. THA will develop and manage the property in ways that serve the community, and that promote shared values of equity and social justice.

6. More generally, THA would regard this property transfer as yet another elaboration in the mature and innovative partnership between THA and TPS in service to Tacoma, especially its school age residents, and of them, especially those from low-income families.

WHEREAS, Upon transfer of the property to THA, THA will takes immediate steps to secure the existing school building, which has a leaky roof, to demolish the non-historic structures, and secure the site; and

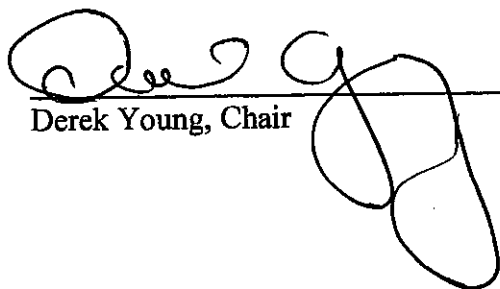
WHEREAS, this land transfer would be a further elaboration in the ambitious and innovative THA-TPS partnership that for over ten years has sought ways to use housing resources to help TPS students succeed in school and help TPS educate low-income students; and

WHEREAS, THA has the authority to execute a letter of intent to sell a property to further affordable housing; now, therefore, be it

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

The THA Executive Director is authorized to submit a Letter of Intent (LOI) to Tacoma Public Schools proposing a transfer to THA of the Gault Middle School from properties. The Letter of Intent will propose terms substantially as set forth above.

Approved: December 11, 2019



Derek Young, Chair

From: ALICIA LAWVER <alawver@tacoma.k12.wa.us>

Date: Fri, Dec 6, 2019 at 3:14 PM

Subject: TPS seeks intergovernmental transfer of Gault Middle School property

To: ALICIA LAWVER <alawver@tacoma.k12.wa.us>

Tacoma Public Schools is planning to pursue an intergovernmental transfer of its Gault Middle School property as provided under RCW 39.33. TPS is looking for full-value of the Gault property for the transfer, which can be achieved through non-cash consideration. (See RCW 43.09.210 and AGO opinion AGO1997 No. 5 from October 6, 1997.)

At this time we are actively looking for letters of intent, primarily from governmental entities who would qualify under RCW 39.33, from people and organizations that have previously expressed interest in the property. We are specifically interested in organizations who would intend to use the property to benefit the community. We will review any letters received by noon on Friday, Dec. 20.

Gault Middle School closed following the 2008-09 school year as part of the consolidation with McIlvaigh Middle School and the construction of First Creek Middle School. The property was declared surplus in October 2010 (Resolution #1875) and is currently appraised at \$1.333 million. The property is being offered in an as-is state and on-site structures require significant demolition and modernization work. The pool located on the property recently had its roof collapse. TPS expects the buyer to cover costs involved in the transfer of the property. In addition, the pool portion of the property is subject to a 1982 interlocal agreement between the City of Tacoma, Metro Parks and Tacoma School District. Under this agreement, the City and Metro Parks arguably have a right to receive a 1/3 tenant in common ownership interest with the District upon expiration of the agreement.

Letters of interest should address:

- Intended use of the property
- Community benefit
 - *Describe your organization's intent for the use of the property. For example, emergency medical services, parks and recreation, transportation, affordable housing or others.*
- Price considerations
 - *For example, is your organization only interested in a no-cost transfer? And if so, explain how you qualify for this consideration under RCW 39.33.*
 - *For example, if your organization intends to offer "non-cash consideration" to compensate the District for the fair value of the property, define and describe.*
- Timeline considerations
 - *For example, is your organization interested in moving forward on this transfer in the next 30 to 60 days. Or, if you would need a longer period of time, please describe the elements and the expected estimated timeline to gain authorization, solidify funding, etc.*
- Ability to satisfy the specific legal requirements of an intergovernmental transfer and the issues surrounding the 1982 Interlocal Agreement
 - *For example, how will your organization approach the requirement for public hearings.*
 - *For example, how will your organization work with the City of Tacoma, Metro Parks and Tacoma Public Schools and any other entities that may be necessary to ensure that any requirements from this 1982 interlocal agreement are satisfied.*

Please submit letters of interest to Alicia Lawver at alawver@Tacoma.K12.Wa.US. **Letters of interest must be received by noon on Friday, Dec. 20, 2019.**

Alicia Lawver, APR

Strategic Planning & Policy Manager

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