



TACOMA HOUSING AUTHORITY

RESOLUTION 2020-01-17(2)

Date: January 17, 2020
To: THA Board of Commissioners
From: Michael Mirra
Executive Director
Re: Approval of Project Based Voucher Contract: Mercy Housing Northwest for Senior Housing on the Hilltop

This resolution will award sixteen (16) Project Based Vouchers to Mercy Housing Northwest project for extremely low income to low income seniors on the Hilltop.

Background

Mercy Housing Northwest has requested sixteen (16) Project-Based Vouchers (PBV) for its new affordable rental housing development for seniors. The development will be called MLK Senior Housing and will be located in Hilltop, at MLK and 8th.

MLK Senior Housing will be developed on land the City of Tacoma owns at 8th and MLK. It will provide new, affordable rental housing for seniors earning 30% to 50% of the AMI. As planned, the project will offer 60 one-bedroom units in a sustainable, energy efficient design. This project is intended to mitigate some of the displacement occurring in the Hilltop for some of Tacoma's most vulnerable residents and ensuring the Hilltop community remains accessible to people of all ages and incomes. This award of vouchers would allow Tacoma Housing Authority (THA) to serve low-income seniors in partnership with a strong and experienced housing provider. Mercy Housing Northwest has a proven track record providing housing and supportive services to seniors in Tacoma.

Mercy Housing has also sought funding from HUD through the 202 senior housing program. If it gets that funding, THA's PBVs will not be necessary.

Mercy Housing Northwest received a competitive Housing Trust Fund award in 2018 for MLK Senior Housing. The selection was made without presuming that the project would receive PBV assistance. The property pro-forma shows that the property can cash flow without project-based assistance; however, THA's project-based assistance will help the project and THA's mission in two ways: it will allow the project to serve households at the lowest income levels; it will give the project a larger income to pay for necessary supportive services.

PBV commitments help developers and tenants in ways that further THA's mission. For extremely low-income households, tax credit rents can be too high to afford, especially if

someone is being displaced from an “affordable” market-rate project that is converting to a higher end rental project. Project-based vouchers provide the safety net vulnerable tenants need as they transition to higher incomes. The voucher also allows the property to charge more rent than the housing authority pays through subsidies. This increased cash flow then pays for supportive services.

This table shows an example of how tenants and the property could benefit from this subsidy in a 2-bedroom unit set aside for tenants below 30% of area median income (AMI):

	Tax Credit-Without Subsidy	Tax Credit-With THA Subsidy	Net Impact of adding subsidy
Maximum Rent Property can charge	\$504	\$1,265 (payment standard)	+\$761 in property income per month
Tenant Rent	\$504	\$360 (30% of the \$1200 per month income)	-\$144 rent tenant must pay
Tenant Rent Burden	42% of monthly income	30% of monthly income	-12% in rent burden

A competitive process is not necessary to select Mercy Housing Northwest for project-based assistance. According to Housing and Urban Development (HUD) and THA policies:

The PHA may select proposal that were previously selected based on a competition. This may include selection of a proposal for housing assisted under a federal, state, or local government housing assistance program that was subject to a competition in accordance with the requirements of the applicable program, community development program, or supportive services program that requires competitive selection of proposals (e.g., HOME, and units for which competitively awarded LIHTCs have been provided), where the proposal has been selected in accordance with such program's competitive selection requirements within three years of the PBV proposal selection date, and the earlier competitive selection proposal did not involve any consideration that the project would receive PBV assistance. The PHA need not conduct another competition.

As mentioned above, the Washington State Department of Commerce selected this project through a competitive Housing Trust Fund allocation process in 2018.

Finally, the Board directed staff in 2018 to focus on making project-based vouchers available to existing housing projects rather than new construction. It did this for two reasons: **First**, this focus favors housing that will be immediately available rather than waiting for housing to be built. **Second**, this speedier use of THA’s vouchers helps with its utilization rate.

This commitment to Mercy Housing would be an exception to that direction. This exception would serve some other important purposes. The main purpose would be to create affordable housing for a very needy population that is being displaced from more affordable rental properties. Making this commitment now, as opposed to when the housing is built and available, will allow Mercy Housing Northwest to be more competitive in its application for 9% Tax

Credits. A commitment of vouchers increasing the amount of points a project may receive, thus enhancing the competitiveness of the MLK Senior Housing Project.

Recommendation

Approve Resolution 2020-01-17 (2) authorizing THA's Executive Director to execute Project Based Voucher (PBV) Agreement to Enter Into a Housing Assistance Payment (AHAP) and subsequent Housing Assistance Payment (HAP) contracts with Mercy Housing Northwest for senior housing on the Hilltop.



TACOMA HOUSING AUTHORITY

RESOLUTION 2020-01-17 (2) (Approval of Project Based Voucher Contracts)

WHEREAS, Mercy Housing Northwest is requesting sixteen (16) project-based vouchers; and

WHEREAS, The project is new construction and will require an Agreement to Enter into a Housing Assistance Payment (AHAP) contract. THA and Mercy Housing Northwest will seek the required subsidy layering and environmental reviews prior to executing such a contract; and

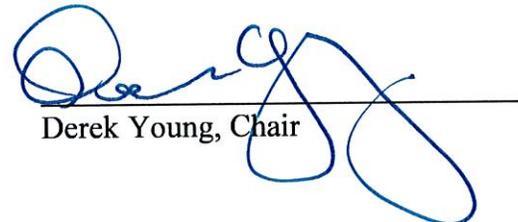
WHEREAS, The effective date of each contract will be up to the discretion of the Executive Director; and

WHEREAS, The contract will be negotiated with the property and will be in effect for up to fifteen years (15); 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 Project Based Voucher (PBV) Agreement to Enter Into a Housing Assistance Payment (AHAP) and subsequent Housing Assistance Payment (HAP) contracts with Mercy Housing Northwest for its MLK Senior Housing project on the Hilltop.

Approved: January 17, 2020


Derek Young, Chair