



# TACOMA HOUSING AUTHORITY

## RESOLUTION 2015-1-28 (2)

DATE: January 28, 2015  
TO: Board of Commissioners  
FROM: Michael Mirra, Executive Director  
RE: Market Rate Scattered Sites Disposition

### **Background**

This resolution authorizes THA to dispose of the 10 single-family Market Rate homes. THA seeks permission to sell them to the general public. Presently, five of the homes are vacant. THA would fix them up and sell them. THA would wait for the leases expire on the five remaining homes. THA would then sell those as well.

There are several reasons to sell. Most of them relate to money. There are other factors to consider as well, including the effect on the portfolio. This memo discusses those reasons and factors below. In summary, THA seeks to sell the homes for two (2) main reasons:

1. THA needs the \$1.7 million the sale would provide. It needs the money to fix up the public housing portfolio. As the board knows, the money THA receives in rent and in subsidy from HUD's public housing capital fund is not enough to keep the portfolio up to THA's standards. The \$1.7 million will help. The need to pay for this fix up has become urgent because of THA's Rental Assistance Demonstration (RAD) application to HUD to convert all its public housing units to Project Based Section 8 units. As a condition of the RAD conversion, THA must show a plan to finance the fix-up. A RAD conversion will help with financing by allowing THA to borrow against the portfolio, something public housing rules do not allow. Yet, this borrowing will not be enough. The \$1.7 million from the sale this resolution will authorize will be necessary to fill a portion of the gap. Even without RAD, THA needs these funds for both capital needs in the existing portfolio, as well as for new development.
2. The market rate homes are expensive to manage and maintain, for two reasons. **First**, they are scattered widely. **Second**, THA's property management structure and skills are suited for apartment buildings and closely situated properties. Single-family homes and their different systems and needs make them harder for THA to manage.

Here are some other factors pertinent to the decision on whether to sell these homes:

### **Effect on Portfolio:**

Selling these homes will remove reduce THA's supply of five bedroom units from 21 (2% of its portfolio) to 12 (1% of its portfolio). Yet, the reduced amount would be proportionate to the need as evident from our waiting list and city census data.

Bedrooms	Percent of Waitlist	Added to Portfolio via Bay Terrace	Total THA Units	% of Portfolio	After Disposition	% of Portfolio
1 Bedroom	45%	26	416	33%	416	33%
2 Bedroom	35%	30	389	31%	389	31%
3 Bedroom	14%	14	383	30%	383	31%
4 Bedroom	5%		52	4%	52	4%
5 Bedroom	1%		21	2%	12	1%
6 Bedroom	0%		1	0%	0	0%

According to the 2010 Census data for the City of Tacoma, there are roughly 7,900 families, or 10% of Tacoma's population, with five or more members. The majority of these families (6,293) are five or six member households, typically qualifying for three and four-bedroom units. Families with 7 or more members, those needing a five-bedroom unit, represent only 1.7% of Tacoma's population.

These 10 Market Rate homes also represent THA's only true market rate housing in the portfolio. While the scattered site nature of the single-family homes make them expensive to operate and maintain, it is important to note that market rate housing is an important source of unfettered revenue for the agency. In their absence, THA currently has 12 one and two-bedroom Market Rate units slated for "Hilltop Lofts," scheduled to break ground in the Summer of 2016.

Also note that THA is actively pursuing purchasing existing market rate housing in multifamily properties. With this intention, we can plausibly expect additional market rate units added to the portfolio in coming years.

THA's rental assistance programs can also assist large families needing five bedrooms. In addition to the rental assistance, THA has set aside funds to help these families with housing search or security deposit costs.

#### **Effect on Residents:**

The sale may affect the remaining 5 families currently residing in the market rate homes. The purchasers may not wish to renew their leases. THA will strive to avoid any displacement during the school year of a family with school age children.

#### **Sale Price**

Unlike the Public Housing units, THA has no restriction requiring these homes be sold to low income families. THA will seek to sell these homes at their market value and without income restrictions.

The home prices will range from \$150,000 – \$250,000. We estimate a conservative net of \$170,000 per home for a total of \$1.7 million.

#### **Recommendation**

Approve Resolution 2015-1-28 (2), formally authorizing THA to sell the market rate scattered site homes as they become vacant.





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## RESOLUTION 2015-1-28 (2)

### MARKET RATE SCATTERED SITES DISPOSITION

**Whereas,** THA owns ten market rate single family five bedroom homes scattered throughout Tacoma.

**Whereas,** THA needs the money their sale would provide in order to adequately maintain the balance of its portfolio;

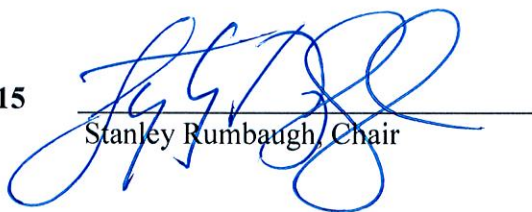
**Whereas,** managing those scattered single-family homes imposes a disproportionate burden on THA's property management capacity, which is better suited for managing apartment buildings or townhome communities;

**Whereas,** the sale would leave THA's portfolio with enough five-bedroom homes that would be proportionate to the need for them as evident from the waiting list and city data.

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

The Executive Director has the authority to sell the market rate scattered site homes as their present leases expire.

**Approved: January 28, 2015**

  
Stanley Rumbaugh, Chair