



# TACOMA HOUSING AUTHORITY

## RESOLUTION 2017-9-27 (2)

**Date:** September 27, 2017  
**To:** THA Board of Commissioners  
**From:** Michael Mirra  
Executive Director  
**Re:** Purchase of Highland Crest Apartments

*This Resolution would authorize the Tacoma Housing Authority's (THA) Executive Director to finalize the purchase of The Highland Crest Apartments as outlined in the Purchase and Sale Agreement dated June 22, 2017 and to use up to \$3.5million to purchase the property.*

### Background

Highland Crest Apartments is a property that is of interest to the Tacoma Housing Authority. This property is located in close to proximity to land that THA owns and is well located relative to schools, shopping and employment. It has easy access to Highway 16 and is within walking distance of Tacoma Community College. Highland Crest is a 73-unit multifamily project that is located at 729 S. Vassault and was built in 2000.

The apartments are arranged as a two-story walk-up and have studio, one and two-bedroom units. The units are quite large and offer stacked washers and dryers. The studios have a nook area for a bed, which enhances livability and a sense of space. There are 40 carports that are currently renting for an additional \$25 per month and six garages that are leasing for an additional \$100 per month.

**Bedroom Mix and Size**

BR Type	# Units	Square Feet
Studio	16	526
1BR	32	805
2BR/2BA	24	1056
3BR	1	
TOTAL	73	

The following chart compares the current average rents collected at Highland Crest to rents considered affordable at 60% to 80% of the AMI. The current rents are above the maximum rent allowed under the LIHTC program. They are below the maximum rent that would be affordable to households earning 80% of the AMI.

### Rent Comparison

	Current Average Rents	60% AMI Rents	80% AMI Rents
Studio	\$780	\$783	\$1,014
1 Br/1 Bath	\$973	\$838	\$1,158
2 Br/2 Bath	\$1,092	\$1,006	\$1,302
House	\$1,800	\$1,162	\$1,446

THA has entered into a contract to purchase the property for \$9.7M or \$132,876 per unit. The seller is Highland Crest LLC. It has agreed to carry a loan for \$6.4 M. This will take the form of a tax exempt bond. The first five years of the loan will be interest only payments and prepayment of the loan is not allowed. The interest rate is 4.5%, which translates to an annual interest only payment of \$288,000.

Beginning the 61<sup>st</sup> month, the seller loan will convert to interest and principal with a 30-year amortization schedule at 4.5% interest. This will be \$31,990 per month or \$383,880 annually. The loan must be refinanced within five years of converting to an amortizing loan. There is not a prepayment penalty if the loan is prepaid once it converts to an amortizing loan.

THA funds will provide the down payment of \$3.3M. Another \$200,000 will be set aside from THA resources to fund a replacement reserve.

The appraisal valued the property at the \$9.7 Million asking price.

All due diligence has been completed and no major operational, building condition or related issues were identified.

Spinnaker Management Company will provide property management services. Spinnaker is currently managing Outrigger, which is adjacent to Highland Crest.

### Recommendation

Authorize THA's Executive Director to finalize the purchase of Highland Crest Apartments pursuant to the Purchase and Sale Agreement dated June 22, 2017 and to allocate up to \$3.5Million in THA resources for the equity and replacement reserve funding needed to complete this transaction.





# TACOMA HOUSING AUTHORITY

## **RESOLUTION 2017-09-27 (2) (Purchase of Highland Crest Apartments)**

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

**WHEREAS**, THA owns and manages affordable rental housing in Tacoma; and

**WHEREAS**, THA is interested in acquiring existing rental housing to meet its short and long term financial and community goals; and

**WHEREAS**, THA believes time is of the essence and that there is potential that future development in West Tacoma will diminish affordably priced rental housing for the neighborhood; and

**WHEREAS**, Due diligence tasks have been completed and the property was found to be in good, operable condition; and

**WHEREAS**, A combination of tax exempt bond financing and second mortgage has been identified to purchase this property; and

**WHEREAS**, THA will allocate up to \$3.5 Million of its reserves to purchase Highland Crest Apartments; now, therefore, be it

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

Approve Resolution 2017-09-27 (2) authorizing THA's Executive Director to finalize the purchase of Highland Crest Apartments pursuant to the terms of the Purchase and Sale Agreement.

**Approved: September 27, 2017**

  
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Janis Flauding, Chair