



# **TACOMA HOUSING AUTHORITY**

## **BOARD OF COMMISSIONERS**

### **BOARD PACKET**

**May 22, 2013**



# TACOMA HOUSING AUTHORITY

Michael Mirra  
Executive Director

## BOARD OF COMMISSIONERS

Janis Flauding, Chair  
Greg Mowat, Vice Chair  
Dr. Arthur C. Banks  
Stanley Rumbaugh  
Rose Lincoln Hamilton

## Regular Meeting BOARD OF COMMISSIONERS

**WEDNESDAY, May 22, 2013**

The Board of Commissioners of the Housing Authority of the City of Tacoma will hold their Board Regular meeting on **Wednesday, May 22, 2013 at 4:45 PM**

The meeting will be held at:

**E.B Wilson Apartments  
1202 South M Street  
Tacoma, WA**

The site is accessible to persons with disabilities. Persons requiring special accommodations should contact Christine Wilson at (253) 207-4421, before 4:00 p.m. the day before the scheduled meeting.

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I, Christine Wilson, certify that on or before May 17, 2013, I FAXED/EMAILED, the preceding PUBLIC MEETING NOTICE to:

City of Tacoma	747 Market Street Tacoma, WA 98402	fax: 253-591-5123
Northwest Justice Project	715 Tacoma Avenue South Tacoma, WA 98402	fax: 253-272-8226
KCPQ-TV/Channel 13	1813 Westlake Avenue North Seattle, WA 98109	emailed to tips@q13fox.com
KSTW-TV/Channel 11	602 Oaksdale Avenue SW Renton, WA 98055-1224	fax: 206-861-8915
Tacoma News Tribune	1950 South State Tacoma, WA 98405	fax: 253-597-8274
The Tacoma Weekly	PO Box 7185 Tacoma, WA 98406	fax: 253-759-5780

*and other individuals and resident organizations with notification requests on file*

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Christine Wilson  
Executive Administrator



# TACOMA HOUSING AUTHORITY

**AGENDA  
REGULAR MEETING  
BOARD OF COMMISSIONERS  
May 22, 2013, 4:45 PM  
1202 South M Street**

- 1. CALL TO ORDER**
- 2. ROLL CALL**
- 3. APPROVAL OF MINUTES OF THE PREVIOUS MEETING**
  - 3.1 Minutes of April 17, 2013 – Regular Session
- 4. GUEST COMMENTS**
- 5. COMMITTEE REPORTS**
- 6. COMMENTS FROM THE EXECUTIVE DIRECTOR**
- 7. ADMINISTRATION REPORTS**
  - 7.1 Finance
  - 7.2 Real Estate Management and Housing Services
  - 7.3 Real Estate Development
  - 7.4 Community Services
  - 7.5 Human Resources
- 8. NEW BUSINESS**
  - 8.1 2013-5-22 (1), Amendment to Contract for Legal Services
  - 8.2 2013-5-22 (2), Pierce County Special Program Housing Contract – Rapid Rehousing
- 9. COMMENTS FROM THE COMMISSIONERS**
- 10. EXECUTIVE SESSION**
- 11. ADJOURNMENT**

# MEETING MINUTES



# TACOMA HOUSING AUTHORITY

## BOARD OF COMMISSIONERS MEETING MINUTES REGULAR SESSION WEDNESDAY, April 17, 2013

The Commissioners of the Housing Authority of the City of Tacoma met in Regular Session at 602 South L Street, Tacoma, WA at 4:45 PM on Wednesday, April 17, 2013.

### 1. CALL TO ORDER

Chair Flauding called the meeting of the Board of Commissioners of the Housing Authority of the City of Tacoma (THA) to order at 4:45 PM.

### 2. ROLL CALL

Upon roll call, those present and absent were as follows:

PRESENT	ABSENT
<b>Commissioners</b>	
Janis Flauding, Chair (left at 6:15 PM)	
Greg Mowat, Vice Chair	
Arthur C. Banks, Commissioner (left at 6:15 PM)	
Stanley Rumbaugh, Commissioner (arrived at 5:00 PM)	
Rose Lincoln Hamilton, Commissioner (left at 5:30 PM)	
<b>Staff</b>	
Michael Mirra, Executive Director	
Christine Wilson, Executive Administrator	
Ken Shalik, Finance Director	
Nancy Vignec, Community Services Director	
Walter Zisette, RED Director	
Todd Craven, Administration Director	

Chair Flauding declared there was a quorum present @ 4:46 PM and proceeded.

### 3. APPROVAL OF MINUTES OF THE PREVIOUS MEETING

Chair Flauding asked for any corrections to or discussion of minutes for the Regular Session of the Board of Commissioners for Wednesday, March 27, 2013. Commissioner Lincoln Hamilton moved to adopt the minutes, Commissioner Banks seconded.

Upon roll call, the vote was as follows:

AYES: 4  
NAYS: None  
Abstain: None  
Absent: 1

**Motion approved.**

Chair Flauding asked for any corrections to or discussion of minutes for the Special Session of the Board of Commissioners for Tuesday, April 2, 2013. Commissioner Banks moved to adopt the minutes, Commissioner Mowat seconded.

Upon roll call, the vote was as follows:

AYES: 4  
NAYS: None  
Abstain: None  
Absent: 1

**Motion approved.**

#### **4. GUEST COMMENT**

Ms. Karen Scott, G Street tenant, addressed the board regarding bed bug infestation in the G Street apartments. She mentioned she is aware of other THA buildings that are also infested. She believes the current process in place for treating the infestation is inconsistent and she questions the vendor's methods. She stated her concerns about the chemicals used by the vendors. Her cat became sick after her unit was treated. She has researched this issue and supports the science that the entire building needs to be heat treated. Chair Flauding asked Pat Patterson, THA Portfolio Manager if he has an update for the board on our bedbug strategy. Mr. Patterson reported that he is preparing a presentation for the Board. He noted that problems do arise when tenants do not properly prepare their units as instructed for the vendor's treatment. He reported that the vendor and THA staff had reviewed the safety of the vendor's products. He had not heard of complaints about the effect on pets. Chair Flauding stated it is important for tenants to comply with the vendor requirements for the treatment and requested Mr. Patterson to provide a report at the next board meeting. Ms. Scott is also requesting the windows, common areas, and carpets be cleaned at G Street. She offered her view that the carpets and meeting areas on the third floor were "disgusting." She also acknowledged that she has "insanely" clean standards.

Ms. Areanna Dickerson, Hillside Terrace tenant addressed the board. She reported that she was sexually assaulted by a former THA employee. Ms. Dickerson stated she has been in contact with the media, the ACLU, and the Department of Justice about a claim she has filed against THA. She states she is a voice for all women. She too has complained to THA staff about windows not being cleaned and other maintenance issues

not being addressed. Chair Flauding asked Mr. Patterson about the maintenance at Hillside Terrace. Mr. Patterson reported there is a preventative maintenance schedule for each building. The windows Ms. Dickerson was referring to require special attention due to their height off the ground. He stated this will be addressed by his staff. Chair Flauding explained to Ms. Dickerson that the BOC is unable to discuss Ms. Dickerson's active housing discrimination complaint.

Ms. Hope Rehn, Wright Street tenant addressed the board. She reported common rooms in her building are locked at night. Staff has stated this is for safety purposes. Ms. Rehn says this is inconvenient for her because she does her laundry in the middle of the night. Ms. Rehn would like the laundry rooms to provide more washing/drying capacity. She requested THA consider placing stackable washers/dryers in the laundry rooms for increased capacity. She reports SAFE will hold the annual picnic on July 26th at People's Park. Everyone is invited. Chair Flauding instructed staff to consider if stackable washers/dryers would be feasible in THA properties and thanked Ms. Rehn for the invitation to the SAFE picnic.

Ms. Lois Hansen addressed the board; she lives near the G Street apartments. She has been told of the G Street bed bug infestation. She is concerned this problem will spread outside of THA properties into the neighborhood. Chair Flauding thanked Ms. Hansen for coming to the meeting and addressing the board. ED Mirra stated the board will receive a bed bug presentation after staff has completed their review of the treatment procedures with the vendor. He noted that bed bug infestation is a national problem throughout portfolios serving all income levels. He warned against unrealistic expectations. We are learning that there is no known way to guarantee against all bed bugs. With the help of our consultants, THA seeks to the best approach for the problems we have within our budget. He also noted that THA does not control the furniture or furnishing that residents bring in and out of the buildings.

## **5. COMMITTEE REPORTS**

Real Estate Development Committee – Commissioner Rumbaugh reported the committee did not meet. It appears the Stewart Court sale and the Citibank loan discussions are moving forward.

Finance Committee – Commissioner Mowat reported the committee did not meet. He has reviewed the financial documentation and all appear in order.

Citizen Oversight Committee – Commissioner Banks reported the committee did not meet.

## **6. ADMINISTRATIVE REPORTS**

### **Executive Director**

ED Mirra referred the board to his report and welcomed questions. He reviewed the federal budget and the potential sweep of reserves. He anticipates coming to the board in during the mid-term budget review with a plan to address the proposed new reserve levels.

### **Finance**

Director Shalik referred the board to his report. The federal funding passed by Congress includes the sequestration cuts. THA financials will account for this funding level. As of February, THA financials show a funding surplus. Director Shalik states THA is in good financial shape considering the current funding levels received from HUD. He noted the effect on the budget resulting from money coming to THA from its various tax credit deals. He explained the “waterfall” structure of those deals. That sets the priority of parties to receive any surplus income. THA is on that list but only gets any money left over after parties higher on the list receive their share. That is now happening and those funds appear in the budget report. Director Shalik noted the pending resolution of the Citi loan. Commissioner Rumbaugh asked about the administrative contracts. Director Shalik stated the consultants were budgeted.

Commissioner Rumbaugh moved to ratify the payment of cash disbursements totaling \$4,048,037 for the month of March, 2013. Commissioner Mowat seconded.

Upon roll call, the vote was as follows:

AYES:	5
NAYS:	None
Abstain:	None
Absent:	0

### **Motion Approved**

## **7. OLD BUSINESS**

None.

## 8. NEW BUSINESS

### 8.1 RESOLUTION 2013-4-17 (1), ADOPTION OF POST-ISSUANCE COMPLIANCE POLICY FOR TAX-EXEMPT BONDS

**Whereas**, the Authority desires to meet the requirements of the Internal Revenue Code of 1986, as amended, and Treasury Regulations (the “Tax Code”) concerning tax-exempt and other obligations (“tax-exempt bonds”) for which federal tax exemption is provided by the Tax Code; and

**Whereas**, non-compliance with the Tax Code may result in fines and/or loss of preferential status of tax-exempt bonds; and

**Whereas**, use of tax-exempt bonds plays an important role in funding a significant portion of THA’s capital projects; and

**Whereas**, the Internal Revenue Service (“IRS”) recently began requiring issuers of tax-exempt bonds to identify if they have written policies and procedures on the initial IRS forms submitted; and

**Whereas**, Authority management adopted the Post-Issuance Compliance Policy for Tax-Exempt Bonds pending Board ratification at the next scheduled meeting and approval of this resolution will help ensure compliance of the Authority with the applicable requirements of the Code.

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

The Board adopts the “Post-Issuance Compliance for Tax-Exempt Bonds” policy in substantially the form set forth in attached draft, allowing for changes to format and procedures, and other changes pursuant to THA Policy G-01 on the Adoption, Amendment and Promulgation of Policies.

Commissioner Banks motioned to approve the resolution. Commissioner Rumbaugh seconded the motion.

Upon roll call, the vote was as follows:

AYES: 4  
NAYS: None  
Abstain: None  
Absent: 1

**Motion Approved:** April 17, 2013

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Janis Flauding, Chair

## **8.2 RESOLUTION 2013-4-17 (2), INCREASE IN CONTRACT AMOUNT FOR EMERGENCY MITIGATION SERVICES**

**Whereas,** Tacoma Housing Authority (THA) signed a contract with Rainbow International for Emergency Mitigation Services to provide Emergency Mitigation services that included Hazardous Materials (lead based paint, mold and asbestos), Bio-Hazardous Materials cleanup (unattended death and trauma), Drugs (meth) and Smoke, Water and Fire cleanup (from fire, damage, water leaks and breaks).

**Whereas,** the contract amount needs to be increased from \$250,000 to \$1,200,000 to account for the additional work of this sort THA requires;

**Whereas,** the contract amount exceeds the \$100,000 spending limit for the Executive Director.

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

1. The executive director is authorized and directed as necessary from time to time to execute contract revision(s) with Rainbow International up to \$1,200,000 for the purpose of providing emergency mitigation services to all of THA properties.

KS presented increase in meth contract. Most costs expended will be reimbursed by our insurance. SR asked when the coverage gets diluted. KS laid out the schedule. The meth testing continues.

Commissioner Mowat motioned to approve the resolution. Commissioner Banks seconded the motion.

Upon roll call, the vote was as follows:

AYES: 4  
NAYS: None  
Abstain: None  
Absent: 1

**Motion Approved:** April 17, 2013

\_\_\_\_\_  
Janis Flauding, Chair

### **8.3 RESOLUTION 2013-4-17 (3), APPROVAL OF RATE MODIFICATION OF HOUSING REFUNDING REVENUE BOND, 2003, AND CANCELLATION OF UNUSED BOND COMMITMENT**

**Whereas**, pursuant to Resolution No. 0803-4 adopted on August 20, 2003, as amended and supplemented by Resolution No. 1103-1 adopted on November 19, 2003 (collectively, the “Bond Resolution”), the Authority issued the Housing Refunding Revenue Bond, 2003 (the “Bond”), in a principal amount not to exceed \$10,000,000, the proceeds of which were used to refund all of the Authority’s then-outstanding revenue bonds; and

**Whereas**, the Authority has made Draws on the Bond in amounts totaling \$7,705,472.47, \$6,260,424.59 of which remains outstanding; and

**Whereas**, the interest rate of the Bond is fixed at 4.59% per annum and Heritage Bank, the owner of the Bond, has agreed to reduce the interest rate to a fixed rate of 3.25% annum on the condition that the Authority agrees not to make any additional Draws on the Bond; and

**Whereas**, it is anticipated that the rate modification fee of \$50,000 to be paid by the Authority to Heritage Bank and third party costs to be paid by the Authority in connection with the modification of the terms of the Bond will be more than offset by the interest savings over the remaining life of the Bond; and

**Whereas**, no other terms of the Bond will be modified.

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

Section 1. Definitions. The terms defined in the above recitals shall have the same meanings when used in this resolution. Capitalized terms used but not defined herein have the meanings set forth in the Bond Resolution.

Section 2. Modification of Terms of Bond. The Board approves the modification of the terms of the Bond as set forth in the letter from Heritage Bank to the Authority dated March 7, 2013, including the payment by the Authority of the rate modification fee and third party costs in connection with the modification.

Section 3. Authorization of Documents. The Executive Director of the Authority is authorized and directed to do everything necessary for the modification of the Bond and to execute the modified Bond any other documents reasonably required to be executed in connection with the issuance of the modified Bond, including any documents required to maintain the tax exempt status of the Bond.

Section 4. Acting Executive Director Authorized. Any action required by this resolution to be taken by the Executive Director may in his absence be taken by the duly authorized Acting Executive Director of the Authority.

Section 5. Ratification and Confirmation. Any actions of the Authority or its officers prior to the date hereof and consistent with the terms of this resolution are ratified and confirmed.

Section 6. Effective Date. This resolution shall be in full force and effect from and after its adoption and approval.

Commissioner Banks motioned to approve the resolution. Commissioner Mowat seconded the motion.

Upon roll call, the vote was as follows:

AYES: 4  
NAYS: None  
Abstain: None  
Absent: 1

**Motion Approved:** April 17, 2013

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Janis Flauding, Chair

#### **8.4 RESOLUTION 2013-4-17 (4), STEWART COURT PURCHASE AND SALE AGREEMENT**

**Whereas**, On February 15, 2013, THA received a Letter of Intent from Dean and Anne Curry to acquire the Stewart Court apartments;

**Whereas**, On March 27, 2013, the Board of Commissioners approved the execution of the LOI;

**Whereas**, On March 28, 2013, the Executive Director signed the LOI;

**Whereas**, On March 28, 2013, the Buyers requested a Purchase and Sale Agreement be drafted, including the terms presented in the LOI;

**Whereas**, THA legal counsel has drafted a Purchase and Sale Agreement, which has been reviewed by THA staff;

**Whereas**, The Executive Director and the Board of Commissioners find the terms of the Purchase and Sale Agreement acceptable to THA;

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

1. The Executive Director has the authority to negotiate, and if those negotiations are successful, to execute a Purchase and Sale Agreement with Dean and Anne Curry for their purchase of Stewart Court apartments.

Commissioner Rumbaugh motioned to approve the resolution. Commissioner Banks seconded the motion.

Upon roll call, the vote was as follows:

AYES: 4  
NAYS: None  
Abstain: None  
Absent: 1

**Motion Approved:** April 17, 2013

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Janis Flauding, Chair

#### **8.5 RESOLUTION 2013-4-17 (5), (SALE OF HOMEOWNERSHIP LOTS TO DR HORTON AND SATISFACITON AGREEMENT FOR INFRASTRUCTURE IMPROVEMENT REVENUE BONDS)**

A RESOLUTION ratifying and authorizing the execution and delivery of a Purchase and Sale Agreement for 143 Building Lots in Salishan Area 3 and a Bond Satisfaction Agreement with respect to the Housing Authority of the City of Tacoma Infrastructure Improvement Revenue Bonds, Series 2008, authorizing execution and delivery of agreements, documents and certificates by the Authority in connection with such agreements; and determining related matters.

**Whereas**, the Housing Authority of the City of Tacoma (the “Authority”) seeks to encourage the provision of long-term housing for low-income persons residing in the City of Tacoma, Washington;

**Whereas**, RCW 35.82.070(2) provides that a housing authority may “prepare, carry out, acquire, lease and operate housing projects” and “provide for the construction, reconstruction, improvement, alteration or repair of any housing project or any part thereof . . .”;

**Whereas**, RCW 35.82.020 defines “housing project” to include, among other things, “any work or undertaking . . . to provide decent, safe and sanitary urban or rural dwellings, apartments, mobile home parks or other living accommodations for persons of low income”;

**Whereas**, RCW 35.82.020(11) and 35.82.130 together provide that a housing authority may issue bonds, notes or other obligations for any of its corporate purposes;

**Whereas**, RCW 35.82.070(5) provides that a housing authority may pledge any interest in

real property;

**Whereas**, pursuant to Resolution No. 2007-10-24(1) adopted on October 24, 2007, as amended and supplemented by Resolution No. 2007-12-12(2) adopted on December 12, 2007, the Authority issued its Infrastructure Improvement Revenue Bonds, Series 2008 (the “Bonds”), in the original aggregate principal amount of \$13,200,000, to provide part of the funds with which to construct infrastructure improvements on property owned by the Authority, as part of the Salishan redevelopment project, to provide housing for low-income persons within the City of Tacoma, Washington (the “Project”);

**Whereas**, the Bonds were originally payable, in part, from the net proceeds from the sale of 182 certain individual lots, as depicted on Plat of Salishan Division 3, prepared by Parametrix, dated December 4, 2007 (the “Lots”) and General Revenues of the Authority up to a maximum amount of \$3,300,000; and

**Whereas**, as set forth in a First Supplemental Trust Indenture, a Second Supplemental Trust Indenture and Resolutions Nos. 2010-6-23(2) and 2011-5-25(2) of the Authority, the Authority and Citicorp Municipal Mortgage Inc. (the “Bondowner Representative”), as the owner of all of the outstanding Bonds, previously agreed to restructure certain provisions of the Bonds and the related documents to, among other things, extend the maturity date of the Bonds, modify the redemption provisions of the Bonds, revise minimum Lot sale prices and certain provisions relating to the release of Lots from the lien of the Deed of Trust, permit the sale of 28 Lots to the Quadrant Corporation at prices below the minimum Lot sale prices otherwise permitted by the Bond documents and provide for a security interest in certain individual lots located in Salishan Area 2b as additional security for the Bonds; and

**Whereas**, the Authority and the Bondowner Representative have agreed that (a) 143 Lots may be sold to SSHI LLC, a Delaware limited liability company, dba DR Horton (“DR Horton”), and

(b) upon receipt by the Bondowner Representative of the net proceeds of the sale of such lots to DR Horton, the remaining balance of General Revenues pledged to the payment of the Bonds, and certain other funds held by the Trustee for the Bonds, the Bonds shall be deemed paid in full and retired without default, and all interests of the Bondowner Representative in the Area 2b lots shall be released; and

**Whereas**, in order to effect the satisfaction of the Bonds, it is necessary for the Authority to enter into a Bond Satisfaction Agreement with the Bondowner Representative, to be acknowledged by The Bank of New York Mellon Trust Company, N.A., as successor trustee for the Bonds (the “Trustee”); and

**Whereas**, at a special meeting of the Board held on April 2, 2013, the Board of Commissioners of the Authority previously approved the sale of 143 Lots to DR Horton and the execution of a bond satisfaction agreement with the Bondowner Representative; and

**Whereas**, it is in the best interest of the Authority to sell 143 Lots to DR Horton and to provide for the Bonds to be deemed paid and retired without default, and the Board of

Commissioners of the Authority wishes to memorialize its approval of such transactions and execution of related documents through the adoption of this resolution;

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

1. Authorization of Documents and Execution Thereof. The Board ratifies and approves the Purchase and Sale Agreement 143 Building Lots – Salishan Area between the Authority, as seller, and DR Horton, as buyer (the “DR Horton Purchase and Sale Agreement”), and the Bond Satisfaction Agreement between the Authority and the Bondowner Representative, and acknowledged by the Trustee (the “Bond Satisfaction Agreement”), each substantially in the form on file with the Executive Director of the Authority, with such changes as the Executive Director of the Authority shall deem necessary or appropriate. The Board ratifies, authorizes and approves the execution by the Executive Director of the Authority and delivery of the DR Horton Purchase and

Sale Agreement and the Bond Satisfaction Agreement and any other documents reasonably required to be executed by the Authority to carry out the transactions contemplated by this resolution, the DR Horton Purchase and Sale Agreement or the Bond Satisfaction Agreement. The Board ratifies, authorizes and approves the performance by the Authority of its obligations contained in, and the consummation by the Authority of all other transactions contemplated by this resolution, the DR Horton Purchase and Sale Agreement and the Bond Satisfaction Agreement.

2. Acting Officers Authorized. Any action required by this resolution to be taken by the Chair of the Board or Executive Director of the Authority may in the absence of such person be taken by the duly authorized acting Chair of the Board or acting Executive Director of the Authority, respectively.
3. Ratification and Confirmation. Any actions of the Authority or its officers prior to the date hereof and consistent with the terms of this resolution are ratified and confirmed.
4. Effective Date. This resolution shall be in full force and effect from and after its adoption and approval.

Commissioner Mowat motioned to approve the resolution. Commissioner Rumbaugh seconded the motion.

Upon roll call, the vote was as follows:

AYES: 4  
NAYS: None  
Abstain: None  
Absent: 1

**Motion Approved:** April 17, 2013

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Janis Flauding, Chair

**9. COMMENTS FROM COMMISSIONERS**

None.

**10. EXECUTIVE SESSION**

**11. ADJOURNMENT**

There being no quorum of the board the meeting ended at 6:15 PM.

**APPROVED AS CORRECT**

**Adopted:** May 22, 2013

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Janis Flauding, Chair

Finance Committee  
*Commissioner Mowat*

Real Estate and Development Committee  
*Commissioner Rumbaugh*

Citizen Oversight Committee  
*Commissioner Banks*

# ADMINISTRATION REPORTS

# EXECUTIVE DIRECTOR REPORT



# TACOMA HOUSING AUTHORITY

**To:** THA Board of Commissioners

**From:** Michael Mirra  
Executive Director

**Date:** May 22, 2013

**Re:** Executive Director's Report

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This is my monthly report for May 2013. The departments' reports supplement it.

## 1. Citibank/D.R. Horton Deals: Done!

I am very pleased to confirm that we have completed the two related transactions with Citi Bank and D.R. Horton! I attach a memo from THA's Asset Management Committee recounting the terms, which the board has previously approved. In summary:

- We have sold the remaining 143 finished lots in Area 3 Salishan to D.R. Horton for \$35,000 per lot, or a total of about \$5 million. It will start construction shortly. It has agreed to THA's design standards. It has agreed to sell 35 of the homes it will build to households at or below 60% of Area Median Income (AMI) (for a family of four that would be \$42,120).
- Our loan and the bonds we sold to Citi are closed. We gave Citi the proceeds of the D.,R. Horton transaction minus our transaction costs and broker expenses (\$4.7 million). We also gave Citi the balance of our \$3.3 million cash pledge (\$1.4 million). We also agreed to give back to Citi the \$725,000 of the loan amount we never used and that had been sitting in escrow. This left about \$3.2 million of the loan balance that Citi agreed to absorb. By agreement, this settlement does **not** count as a default.
- Citi released its mortgage on 24 Area 2b lots. This leaves THA with 70 Area 2b lots that we now own free and clear.
- We can now release \$2.3 million of our reserves that we had set aside to cover this loan.

All in all, this resolution accomplishes the three goals we set for our negotiations when we began them nearly two years ago:

- **Minimize damage to THA's finances and credit.** We have limited our cash payment to the balance of our pledge and the proceeds of the lot sales, which also covered most of our transaction costs. We have avoided a default. We have avoided listing this loan as a short term liability on our books.

- **Keep development control over the Salishan lots.** Salishan is successful because we have been choosy about our development partners. We also have important goals to make 25% of the homes affordable to low-income families. We worried that if Citi took control of the lots through foreclosure it would sell them without adequate regard to the quality of the homebuilder or the homes that would result and without any regard to our goals of making the homes available and affordable to lower income households. With this deal, we sell the Area 3 lots to the nation's largest homebuilder with a good reputation and pursuant to a contract that honors our design standards. D.R. Horton also agrees to fulfill our affordability goal of selling 25% of the homes to lower income households. This deal also leaves THA in full control and ownership of the 70 Area 2b lots.
- **Preserve THA's chances of making money in the future from lot sales.** THA's chance of making money will come when it sells the Area 2b lots. At today's prices, those 70 lots are worth about \$2.3 million. Since we own them free and clear we need not rush to sell them.

Many people over the past two years worked hard to puzzle through the many complexities of this deal and face down its risks and uncertainties. Among them are the Commissioners. The Board has stood by the staff with its advice, support, pluck and patience. On behalf of the entire staff, we are very grateful to the Board!

## **2. James Walton Renaissance/Brown Star Grill Site: Proposal to the City**

The City has invited THA and a private developer, Tacoma Business District Revitalization Group (RG) to propose a joint development of the four parcels the City owns at the corner of MLK Avenue and 12<sup>th</sup> Street. These parcels are generally known collectively as the James Walton Renaissance/Brown Star Grill site. We have conveyed our proposal to the City by letter of May 14<sup>th</sup>. I attach a copy.

By this proposal, the City would sign development agreements with THA and RG. It proposes that THA and RG would have due diligence periods (THA would have until June 2014) to determine if the following developments are feasible:

- The city would sell the Kellogg-Sicker and Pochert buildings to RG for fair market price. RG would have about a year and a half to rehabilitate them as housing above commercial uses. RG would conform to the design directives resulting from the city's designation of the building as historically significant.
- The city would give the two corner parcels to THA without cost. THA would have about three years to construct housing, and if possible commercial space on

the ground floor. The housing would be affordable to households with income at around 0% of the Area Median Income. (\$28,100 per year for a two person household.) Units for households at higher or lower income would be possible depending on the market and our financing sources.

- If RG or THA does not complete the development in time, their respective parcels would return to the city.

THA and RG have been discussing this proposal with important Hilltop community groups and persons. Our letter lists them. In general, we have been very well received.

This development nicely fits the strategic reasons THA has identified for its development activity: to provide high quality housing for people who cannot find it in the market, including working people at the low end of the community's wage scale; to develop this housing in a way that brings investment into neighborhoods that need it; to build ahead of the market, do a good job and set a high design bar to encourage other people to invest in that neighborhood.

### **3. Search for Next Real Estate Development Director**

We have begun the search for our next director of real estate development. We will search nationwide. We will engage a search firm to help us. I attach a draft list of the attributes we are seeking. THA has a very good reputation. We hope and expect that THA will attract a good selection of candidates showing a diversity of backgrounds, experiences, races, and genders. We hope to have our next director by Thanksgiving.



# TACOMA HOUSING AUTHORITY

Michael Mirra  
Executive Director

## BOARD OF COMMISSIONERS

Janis Flauding, Chair  
Greg Mowat, Vice Chair  
Dr. Arthur C. Banks  
Stanley Rumbaugh  
Rose Lincoln Hamilton

**To:** Michael Mirra  
**From:** Asset Management Committee  
**Date:** May 10, 2013  
**Re:** CitiBank and DR Horton transaction

### **RECOMMENDATION:**

The Asset Management Committee recommends the execution of the closing documents for the Citibank Settlement and the DR Horton acquisition of 143 homeownership lots in Salishan Area 3.

### **Background**

Tacoma Housing Authority issued and sold to Citi its Infrastructure Improvement Revenue Bonds, Series 2008 in the original principal amount of \$13,200,000, dated January 1, 2008, and amended June 30, 2010 and June 22, 2011, to finance the construction of certain infrastructure improvements at Salishan. This debt is secured by a Deed of Trust, encumbering 143 lots in Salishan Area 3 and 24 lots in Salishan Area 2B.

THA is currently under contract with SSHI LLC, a Delaware limited liability company, dba DR Horton for the purchase and sale of 143 lots in Salishan Area 3.

THA has spent the past several months negotiating with Citibank in order to reach resolution of the bond transaction. The original transaction and subsequent amendments were premised on THA being able to sell homeownership lots in order to repay the bonds. Due to the financial collapse and the subsequent decline in the housing market, THA has not been able to sell lots at the release prices anticipated.

### **Citibank**

Citibank has agreed to a negotiated settlement, and has delivered to Chicago Title Company the demand for payment, according to the following terms:

- THA pays the balance of its \$3.3 million pledge to Citibank; as of closing this amount is \$1,357,796.88.
- Citibank reconveys Title to all of the lots encumbered by the Citibank loan, including the 143 lots in Area 3 and the 24 lots in Area 2B.
- Citibank allows THA to sell 143 lots in Area 3 to DR Horton, at the price and terms negotiated in the PSA with DR Horton.

- Citibank will accept as final settlement:
  - Net sales proceeds of ~\$4.7 million after sales costs,
  - the balance of THA general revenue pledge (~\$1.4 million), and
  - the Trustee held funds (\$725,000).

### **DR Horton**

DR Horton, a national homebuilder, has made an offer to purchase the 143 remaining lots in Salishan Area 3. The main components of the purchase are:

- DR Horton has offered \$35,000 per lot for a total sales price of \$5,005,000.
- DR Horton will purchase all of the lots at once. Closing is anticipated to occur May 15, 2013.
- DR Horton has completed and waived their 45 day feasibility period as of April 30, 2013.
- DR Horton has committed to sell 35 of the houses at prices affordable to households at/or below 60% of AMI.
- DR Horton has committed to the same design standards as Quadrant.

### **Costs to THA**

\$18,000 to Citi for legal and appraisals

~\$6,100 to Chicago Title for closing costs

\$1,357,796.88 to Citi for final settlement

### **Approvals**

THA has received all of the approvals it needs from HUD in order for HUD to sign the Deed of Partial Release. This enables THA to sell the lots to Horton.

### **Schedule**

The schedule is as follows:

Friday, May 10, 2013

Monday, May 13, 2013

Tuesday, May 14

Seattle HUD office signs Deed of Partial Release

THA and Citi provide signed documents to escrow

Confirmation by Title that all docs & funds have been received; upon confirmation documents will be recorded and funds will go to Citi.

### **Documents**

The main documents that will be signed by THA are:

- Salishan Escrow Letter provided by Citi
- Bargain & Sale Deed to DR Horton for 143 lots
- General Assignment Agreement to DR Horton for reports, plans, studies
- Affordable Housing Covenant with DR Horton for the sale of 35 homes affordable to low income households



# TACOMA HOUSING AUTHORITY

Michael Mirra  
*Executive Director*

## BOARD OF COMMISSIONERS

Janis Flauding, Chair  
Greg Mowat, Vice Chair  
Stanley Rumbaugh  
Dr. Arthur C. Banks  
Rose Lincoln Hamilton



GROSSMAN SERVICES

May 14, 2013

By email: [rnoguera@cityoftacoma.org](mailto:rnoguera@cityoftacoma.org)

Mr. Ricardo Noguera  
Economic Development Director  
City of Tacoma  
747 Market Street  
Tacoma, WA 98405

### **Subject: James Walton Project/Brown Star Grill Development Feasibility Proposal**

Dear Mr. Noguera:

We are very pleased to convey for your consideration a joint proposal from the Tacoma Housing Authority (THA) and the Tacoma Business District Revitalization Group (RG). Our proposal, in ways we describe below, contemplates our separate but coordinated redevelopment of the four (4) parcels that the City of Tacoma owns at the corner of MLK Avenue and 12<sup>th</sup> Street on the Hilltop. These parcels are generally known as the James Walton Renaissance Properties/Brown Star Grill Properties. They include the Kellogg-Sicker and Pochert buildings.

We believe our proposal, if it proves feasible, would bring an important and appealing new public and private investment to a critical intersection on the Hilltop. It would provide high quality market rate and subsidized housing that a revitalizing Hilltop needs for a range of household incomes. It would preserve the historic nature of the Kellogg-Sicker and Pochert Buildings. It would provide new retail and commercial space on the street level. It would do this in an attractive and environmentally responsible design. Our proposal would directly further the very appealing vision for the Hilltop that arose from the four visioning exercises the City has convened over the last ten (10) years. It would also directly further the City's policies and guidelines for neighborhoods and housing.

We hope you are interested in our proposal. Please let us know. We are ready to visit with you to discuss the details for the development agreements that would allow THA and RG to assess whether our proposal is feasible, and if so, to get it done.

## 1. THE PROPOSED DEVELOPMENTS

We propose two separate but coordinated projects:

- **RG: The Kellogg-Sicker and Pochert Buildings (two northern parcels):  
Historic Rehabilitation**  
The City would sell the two northern parcels occupied by the Kellogg-Sicker and Pochert buildings to RG at a fair market value, as determined by the city's appraisal. RG would have a year and a half to develop the property into a restaurant, retail or services on the ground floor and from four (4) to eight (8) market rate housing units or housing/work units on the second floor. RG's design would conform to the design directives resulting from the City's designation of these properties as historically significant pursuant to the petition for this designation by Historic Tacoma.
- **THA: The Corner Lot and the Adjacent Empty Lot (two southern lots)  
New Construction**  
The City would transfer the two southern parcels (the corner parcel and the adjacent empty parcel) without cost to THA. THA would have four years to finance and build new construction of housing with the possibility of retail and commercial services on the street level.

THA's proposed project would be 3-5 floors, and about 40-50 units.

THA will seek to make the housing affordable to the employees at the lower end of the wage scales of the area's major employers, such as St. Joseph's Hospital, Multicare, Group Health, and Community Health Care (CHC) whose new clinic is under construction right across the street. In addition, we note that CHC will have a residency program for doctors who will need housing during their rotation. If we can accommodate those doctors during their rotation we would count that as an additional benefit the project can provide to the community. In these ways, the project will include a mix of units affordable to lower income households primarily focused on those earning about 50% - 60% of the Area Median Income (A.M.I.) We attach the City's current chart (from the HOME program) showing these various income tiers for Tacoma. (It shows, for example, that a two-person household at 50% A.M.I. would have an income of \$28,100 a year.)

Rental subsidies might also be available that would make some of the units affordable to households at still lower incomes. THA would also consider unsubsidized market rate units. Whether these are possible will depend on the market and the financing sources.

The two projects would coordinate as follows:

- THA and RG would coordinate on design, parking and occupancy/use.

- RG will design consistent with historic standards and aesthetics; THA will design its project to be aesthetically consistent across the lower floors with RG's historic design and generally with Community Health Care's new clinic across the street.
- THA and RG agree that parking is critical to the success of the housing and retail components of the projects and to the neighborhood. They will collaborate on a solution from among the several possibilities.
- Ground level uses will respond to the neighborhood needs. *E.g.*, gathering places, restaurants, music, financial services, education, health & fitness, retail, books, bikes and perhaps a florist.

The availability of funding will of course be the main contingency that will determine the projects' feasibility. The main purpose of the due diligence and feasibility period will be to find that out. Potential funding sources for the projects include private debt, New Market Tax Credits equity investment, Low Income Housing Tax Credits equity investment, Historic Tax Credits equity investment, State Housing Trust Fund, THA funds, and local funding.

RG and THA will require separate schedules, especially for their due diligence and feasibility periods. THA will need more time, mainly for two reasons. THA's part of this project is new construction of a larger structure while RG will be rehabilitating a smaller structure. Also, THA will likely rely on more funding sources of a more complex nature that will each have their own schedule, some occurring annually or bi-annually. In contrast, RG will rely on more flexible private sources. The following tentative schedules will likely work:

RG Schedule		THA Schedule	
Site control agreement	August 2013	Site control agreement	August 2013
Feasibility study; RG waiver or nonwaiver of contingencies; if waived, sale of the property to RG.	October 2013	Feasibility study; THA waiver or nonwaiver of contingencies; if waived, transfer of the property to THA.	June 2014
Design estimates	October 2013	Predevelopment financing	August 2014
Financing	November 2013	Design, estimates	May 2015
Close on acquisition	November 2013	Construction/permanent financing	June 2016
Design Revisions	February 2014	Close on acquisition	June 2016
Construction	September 2014 (finish)	Construction	July 2017 (finish)
Lease up/occupied	November 2014	Lease up/occupied	November 2017

The development agreements would provide that if THA or RG does not complete the development the respective parcels will revert back to the City. In THA's case, the property will transfer back to the City. In RG's case, the City would purchase the property back for the same price that RG paid for it. In either case, the City will also purchase and own any architectural or other product that THA or RG will have paid to produce.

## 2. THE MATCH WITH CITY POLICIES AND GOALS

We believe our proposal nicely fits the very appealing vision for the Hilltop that emerged from the four “visioning” exercises the City helped to convene over the past ten (10) years, including the present one led by the MLK Subarea Planning Group. All of those exercises offered similar observations and aspirations for the Hilltop that guide our proposal:

- Thousands of people already work on the Hilltop; its major employers employ nearly ten thousand persons. A revitalized neighborhood will have more of those workers also living, walking, shopping, dining and playing on the Hilltop. This increase in density and residents will also help support the public and private services that make for a vibrant neighborhood.
- To make this happen, the Hilltop needs more high quality housing to accommodate these increased residents.
- The housing needs to be affordable to a wide range of incomes, from very low to high. Housing that is affordable to low income households is particularly necessary to ensure that a redeveloped Hilltop will have room in it for everyone.
- The housing and retail space needs set a high design bar to inspire the further development that we hope will follow us on the Hilltop. We believe that both ugly and lovely design can be contagious. We mean to set a good example that will spread.

Our proposal matches the goals set forth in the City’s Comprehensive Plan that contemplates higher density along the MLK spine of the Hilltop. *See Comprehensive Plan, Growth Strategy and Development Concept Element; Generalized Land Use Element (last amended June 14, 2011).*

It also helps address the City’s dire shortage of affordable and high quality housing for its residents. The City has described this shortage in its planning documents.\* Another description

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\* Maintaining housing affordability is an ongoing challenge. Almost half (47%) of all renter households in Tacoma in 2000 had housing problems, either because of cost-burden or because of overcrowding. Sixty-one percent of all renter households with incomes at or below 30% of area median were paying over half of their income for rent (about 5,500 very low income renter households).

Consolidated Plan for Housing and Community Development 2010-2015, page 6 (Tacoma-Lakewood HOME Consortium)(May 2010). Tacoma’s rental housing market is not affordable to much of the City’s working residents and most of the City’s residents dependent on governmental assistance such as SSI/SSD:

In 2011 in Tacoma/Pierce County, the Fair Market Rent (FMR) for a two-bedroom apartment was \$1,018. In order to afford this level of rent and utilities, without paying more than 30% of income on housing, a household must have earned \$3,393 monthly or \$40,712 annually. Assuming a 40-hour work week, 52 weeks per year, this level of income translated into a Housing Wage of

[continued . . . ]

appears in the 2010 report by the Affordable Housing Advisory Group that the City Council commissioned. That report summarized the available data. It concluded that “the City of Tacoma currently has a very serious shortage of affordable housing for its residents. This shortage will likely worsen over the next twenty years.” *Id.* at page 4. The attached chart from that report, for example, shows a shortage of affordable housing facing households within the middle to lower end of the city’s job market, including retail workers, clerks, restaurant employees, artists, professionals at the start of their career, and households living at even lower income levels.

In response to that report the City Council, by Resolution No. 38264 (May 17, 2011), directed that the following principles guide city planning and development decisions:

- “A. The City’s welfare requires an adequate supply of well-built and well-managed affordable housing serving the full range of incomes appearing among its residents. An adequate supply of this housing is vital to the following important civic needs and values:
- The City’s prosperity, economic development, and growth of employment opportunities;
  - The appropriate management of the City’s projected population growth and transportation needs;
  - The City’s fulfillment of its legal obligations under the Growth Management Act to make “adequate provisions for existing and projected (housing) needs of all economic segments of the community” and to comply with the related directives of the Pierce County Countywide Planning Policies;
  - The survival of green spaces throughout the City and Pierce County;
  - The success of the City’s schools;

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[ . . .continued]

\$19.58. This is more than double what a minimum wage worker earned in 2011 (\$8.67 per hour). .

..

In Tacoma/Pierce County, the estimated mean (average) wage for a renter in 2011 (\$12.29 per hour), . . .

Using the estimated median income for renters in Tacoma/Pierce County (\$37,370 in 2011), a household at this level could not afford the FMR on a two-bedroom unit (\$1,018) without spending more than 30% of their monthly wage. In other words, they could afford up to \$934 to rent this two-bedroom apartment. More than half of the renters in Tacoma (53%) would not be able to afford this unit.

Monthly Supplemental Security Income (SSI) payments for an individual were \$674 in 2011. If SSI represented an individual's sole source of income, \$202 in monthly rent would have been affordable, while the FMR for a one-bedroom was \$816.

- The effectiveness of the City's emergency services;
  - The City's ability to continue its accommodation of a population that is increasingly diverse by income, race, ethnicity, ability, disability, and age;
  - The City's ability to accommodate a population that, in the aggregate, is getting older; and,
  - The City's values of social justice.
- "B. Affordable housing developments by nonprofit developers, public and private, in the City, region, and nation have been among the most attractively designed and most environmentally innovative and best managed in the market place.
- "C. Nonprofit developments of affordable housing will never likely be adequate to meet the City's needs. The City also needs a companion strategy to enlist the engine of private market rate developments to include a measure of affordable units. These strategies also provide the added benefit of economic and demographic integration.
- "D. Affordable housing developments have spurred the revitalization of neighborhoods, encouraging both public and private investment, helping the City attain its desired density, and furthering a neighborhood's economic development.
- "E. Affordable housing is an asset to be encouraged and not a detriment to be tolerated and controlled.
- "F. The City should promote the development of affordable housing in every City neighborhood.
- "G. In seeking the appropriate balance, the City should not have to compromise important neighborhood design standards in order to promote affordable housing. Instead, proper design should allow affordable housing to show the way for all developments servicing all incomes toward a greener, more sustainable urban future that accommodates the appropriate density that the City's planning documents anticipate to be necessary for the City's projected population allocations.
- "H. In a complex community like Tacoma, interests and policies often clash. Good governance is the effort to balance them appropriately. In doing so, the City should give a very high priority to the promotion of affordable housing development, . . ."

We believe our proposal contributes to these important City goals and values.

### 3. COMMUNITY CONSULTATIONS

THA and RG share a strong commitment to consult with notable community voices about our proposal. Towards that end we have consulted or shortly will consult with the following:

- Central Neighborhood Council
- New Tacoma Neighborhood Council
- Mr. James Walton
- Historic Tacoma
- Tacoma-Pierce County Black Collective
- Hilltop Action Coalition
- MLK Subarea Planning Group
- Hilltop Business Association

We have also consulted with some and will consult with others of the large employers on the Hilltop and the unions that represent their employees. To date, we believe our proposals have been well received. We understand that these groups and persons will be interested in the further details that will emerge from our due diligence and planning efforts that we propose to undertake. We commit to keeping them informed, and engaged. In that spirit, we will send them a copy of this letter.

We look forward to hearing your views about our proposal. If the City is interested in exploring this further, we believe the next step would be to draft the development agreements. We would be pleased to visit with you or your staff to begin those discussions. In the meantime, we will continue with our community consultations, and will let you know what we hear.

Thank you.

Cordially,

TACOMA HOUSING AUTHORITY



Michael Mirra  
Executive Director

GROSSMAN SERVICES, INC



Kevin Grossman  
President

enclosures

# HOME Program Income Limits

## HOME Effective: March 15, 2013

<b>Family Size</b>	<b>Median Income</b>	<b>30% of Median Income Limit</b>	<b>50% of Median Income Limit</b>	<b>60% of Median Income Limit</b>	<b>65% of Median Income Limit</b>	<b>80% of Median Income Limit</b>
1	\$49,200	\$14,750	\$24,600	\$29,520	\$31,980	\$39,350
2	56,200	16,850	28,100	33,720	36,530	44,950
3	63,200	18,950	31,600	37,920	41,080	50,550
4	70,200	21,050	35,100	42,120	45,630	56,150
5	75,900	22,750	37,950	45,540	49,335	60,650
6	81,500	24,450	40,750	48,900	52,975	65,150
7	87,100	26,150	43,550	52,260	56,615	69,650
8	92,700	27,800	46,350	55,620	60,255	74,150

### Rent Limits: Effective June 1, 2013

	<b>Studio</b>	<b>1-Bedroom</b>	<b>2-Bedroom</b>	<b>3-Bedroom</b>	<b>4-Bedroom</b>	<b>5-Bedroom</b>	<b>6-Bedroom</b>
Fair Market	\$608	\$740	\$964	\$1,421	\$1,707	\$1,963	\$2,219
Low Home Rent	627	672	807	932	1,040	1,148	1,254
High Home Rent	669	791	997	1,178	1,295	1,410	1,525
50% Rent Limit	627	672	807	932	1,040	1,148	1,254
65% Rent Limit	796	854	1,027	1,178	1,295	1,410	1,525

The maximum home value for TCRA assistance is \$362,790 (after-rehab value), as of 10/02/2007.

FYI: The maximum home value under HUD's proposed HOME program rule would be \$203,300 (as of 03/29/2012).

## 2.2 City of Tacoma's Estimated Housing Need By Income Groups: 2010 - 2030

2009 Household Gross Income Levels <sup>1</sup>		No. of renter households <sup>2</sup> % of renter population <sup>3</sup>	Affordable Monthly Housing Payment <sup>4</sup>	2010 Monthly Rental Housing Costs <sup>5</sup>	Affordable Units Needed for Rent Burdened Households					Totals (existing and future need)
					% of rent burdened households <sup>6</sup>		2010 (existing need) <i>rent burden (% of gross income that households pay for rent and utilities)</i>		2010 – 2030 (future need) <sup>7</sup>	
					>30%	>50%	>30%	>50%		
Computer Programmer (\$79,800/year)		11,767 31%	\$1,995	\$1,587/4 BR rental (FMR) \$1,410/3 BR rental (FMR)						
Area Median (AMI) Income (\$23,566/hour; \$48,996/year)			\$1,225							
Executive Secretary/Admin. Asst. (\$22.39/hour; \$46,570)			\$1,164		5%	588	308	48	896	166
Medical Lab Technician (\$19.35/hour; \$40,248)			\$1,006							
Low Income; 80% AMI (\$18.84/hour; \$39,197/year)		7,603 22%	\$980	\$968/2 BR rental (FMR)						
Bookkeeping Clerk (\$17.90/hour; \$37,232/year)			\$931							
Starting Teacher (\$15.89/hour; \$33,054/year)			\$826		29%	2,205	1,269	175	3,474	479
Retail Sales (\$12.93/hour; \$26,908/year)			\$673	\$790/2 BR rental (AVG) \$776/1 BR rental (FMR) \$694/1 BR rental (AVG) \$665/0 BR rental (FMR)						
Average Renter Income (\$12.35/hour; \$25,688/year)			\$642							
Very Low Income; 50% AMI (\$11.78/hour; \$24,498/year)		6,063 18%	\$612							
Home Care Aide (11.06/hour; \$23,005/year)			\$575							
Federal Poverty Line for Family of 4 (\$10.60/hour; \$22,050/year)			\$551		73%	4,426	2,614	788	7,040	2,122
Dishwasher \$9.95/hour; \$20,696			\$517							
State Minimum Wage (\$8.55/hour; \$17,793/year)			\$445							
Extremely Low Income; 30% AMI (\$14.698/year)		8,931 26%	\$367		77%	6,877	3,983	3,156	10,860	8,604
SSI Disability (\$674/month; \$8,088/year)			\$202							
TANF for Family of 4 (\$661/month; \$7,932/year)			\$198							

Work Force Housing Needs

NOTES:

1. U.S. Bureau of the Census – ESRI 2009 Forecasts; Bureau of Labor Statistics, May 2009 Metropolitan Area Occupational Employment and Estimates of Average Wages, Tacoma, WA [http://www.bls.gov/oes/current/oes\\_45104.htm](http://www.bls.gov/oes/current/oes_45104.htm); Tacoma Public School District at <http://www2.tacoma.k12.wa.us/hr/certsalary.pdf>

2. Consolidated Plan at page 67.

3. Tacoma has 34,364 renter households. *Id.* The % of that total in each income tier derives from dividing the number in each tier by that total. The % and number for the top tier are households at or above 80% AMI.

4. “Housing is considered to be affordable when the cost of housing plus utilities equals no more than 30% of household [gross] income.” *Id.* at page 58.

5. HUD calculates Fair Market Rents (FMR) annually. “In general, the FMR for an area is the amount that would be needed to pay the gross rent (shelter rent plus utilities) of privately owned, decent, and safe rental housing of a modest (non-luxury) nature with suitable amenities.” FMRs reflect the rent for the 40<sup>th</sup> percentile of the market. 74 Fed. Reg. 50551 (September 30, 2009); average rents W.A. Center for Real Estate Research, WSU.

6. Consolidated Plan at page 67. Households paying >30% of their income include those paying >50%.

7. The City projects that 43,253 additional households will join the city by 2030. City of Tacoma Vision 2030 Geography for Housing Unit Allocation, October 22, 2009. 45% of current city households rent. Consolidated Plan at page 52. Applying that percentage to the new households means that 19,897 of them will rent. Applying the percentages of the current renter population in each income tier and rent burden categories estimates the number of the new renter households in each income tier that will be rent burdened.

# FINANCE



# TACOMA HOUSING AUTHORITY

## **Motion**

Adopt a consent motion ratifying the payment of cash disbursements totaling \$3,856,564 for the month of April, 2013.

Approved: May 22, 2013

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Janis Flauding, Chair

**TACOMA HOUSING AUTHORITY**  
**Cash Disbursements for the month of April, 2013**

		Check Numbers		Amount	Totals
		From	To		
A/P Checking Account					
Low Rent Module Checks	Check #'s	2,740	- 2,740	202	
Accounts Payable Checks	Check #'s	79,194	- 79,446		
Business Support Center				243,020	Program Support
Moving To Work Support Center				9,164	
Section 8 Programs				5,792	Section 8 Operations
SF Non-Assisted Housing - N. Shirley				75	Local Funds
SF Non-Assist Housing - 9SF Homes				6,903	
Stewart Court				26,669	
Wedgewood				224	
Salishan 7				48,618	
Tacoma Housing Development Group				6,010	
Hillsdale Heights				1,075	Development
Salishan Developer Fee				365	
Hillside Terrace 2500 Yakima Relocation				17,344	
Salishan Area 3				20,405	
NSP Grant				984	
Development Activity				9,655	
Salishan Area 2B-Dev				3,145	
Salishan Area 4				1,950	
Hillside Terrace Development				34,366	
Hillside Terrace Community Ctr Development				44,746	
Hillside Terrace 2500 Yakima Development				179,194	
Bea's Fund				76	Community Service
Community Services MTW Fund				4,445	
Paul G. Allen Foundation Grant				174	
Gates Scholar Incentive Grant				269	
Gates Ed Grant				1,216	
ROSS Svc Coord				245	
WA Families Fund				4,715	
WA Families Fund - Systems Innovation				676	Public Housing
AMP 1 - No K, So M, No G				25,752	
AMP 2 - Fawcett, Wright, 6th Ave				26,530	
AMP 3 - Lawrence, Orchard, Stevens				23,756	
AMP 4 - Hillside Terr - 1800/2500				16,860	
AMP 6 - Scattered Sites				6,485	
AMP 7 - HT 1 - Subsidy				19,319	
AMP 9 - HT 1500 - Subsidy				4,510	
AMP 10 - SAL 1 - Subsidy				9,669	
AMP 11 - SAL 2 - Subsidy				8,690	
AMP 12 - SAL 3 - Subsidy				6,716	
AMP 13 - SAL 4 - Subsidy				9,157	
AMP 14 - SAL 5 - Subsidy				23,261	
AMP 15 - SAL 6 - Subsidy				10,414	
Allocation Fund				68,690	Allocations-All Programs
THA SUBTOTAL				931,533	
Hillside Terrace 1 through 1500				889	Tax Credit Projects - billable
Salishan I - through Salishan 6				703	
Salishan Association - Operations				2,988	
TAX CREDIT SUBTOTAL (Operations - billable)				4,580	936,113
Section 8 Checking Account (HAP Payments)					
SRO/HCV/TBRA/VASH/FUP/NED	Check #'s	477,945	- 478,491	838,660	
	ACH	43,796	- 44,711	1,592,861	\$ 2,431,521
Payroll & Payroll Fees - ADP					\$ 445,097
Other Wire Transfers					
Local Funds Semi-Annual Bond Payment - Heritage				-	
Salishan Seven Debt Service - WCRA				19,108	
Area 3 Revenue Bonds Monthly Interest - Citibank				24,725	\$ 43,833
TOTAL DISBURSEMENTS					\$ 3,856,564



# TACOMA HOUSING AUTHORITY

**Date:** May 22, 2013

**To:** THA Board of Commissioners

**From:** Ken Shalik  
Director of Finance

**Re:** Finance Department Monthly Board Report

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## 1. FINANCIAL STATEMENT COMMENTS

I present the April, 2013 disbursement report for your approval.

The Finance Department is submitting the financial statement for the month of March, 2013.

Even though we have not received final funding amounts for our HUD programs, I have adjusted the projected actuals for Section 8 Funds and Public Housing subsidy (Lines 3 – 5) based on the pro-rations we have received for 2013, realizing that we are operating under a continuing resolution with last year's budget as the base, coupled with sequestration.

We are actually in good financial shape considering the funding we are receiving from HUD. At the end of March's reporting, THA has a YTD surplus of \$318,864 on Line 68, Surplus/(Deficit) before Capital Expenditures. On Line 71, the projected deficit for the year based on current information is approximately \$64,897, as compared to a \$2,685 surplus.

There are some anomalies in the budget I will address later, but I do want to address a concern that we will deal with during the Mid-Year Budget process.

- Unit Contamination Costs- The cost to both test and clean up contaminated units is higher than both anticipated and budgeted. Additionally, on July 1<sup>st</sup> the deductibles for insurance will change from \$1,000 per unit to \$10,000 per unit plus 30% of the costs. We are also finding that unit turns on contaminated units typically have higher costs for tenant damages. Additionally, insurance premiums will be increasing at the renewal on July 1<sup>st</sup>. These costs will have an impact on the following line items: Contact Maintenance (49), Casualty Loss (60), and Insurance (52).

The following are major anomalies between budgeted and actual numbers.

- Line 2 – Tenant Revenue – By the end of March, we have already exceeded the budget amount. This is due to legal costs passed on the tenant for both legal proceedings

heading towards eviction, as well as significant damages at move out. We did not budget to this level. The challenge with this increase is due to the type of charge, we will most likely never see these funds, and they will be written off.

- Line 10 – Investment Income – The excess amount of Investment Income came from interest payments on THA loans from the Salishan Tax Credit properties, based on the Limited partnership waterfalls after the close of the year.
- Line 11 – Fraud Recovery – This is an estimate based on previous year activity. This is based on unreported income. As we have moved to bi-annual re-certifications, this amount has slowed down.
- Line 28 – Legal – The overage in this category is due primarily to legal assistance regarding the Citi loan, and also legal assistance for the Section 8 re-benchmarking issue. This category will be adjusted at midyear, as we will also have legal expenses for the loan reduction on our Bond financed properties.
- Line 32 – Administrative Contracts - A question was raised about this line item during the last board meeting. We were significantly under budget, but the projected amount for the end of the year came close to budget. This is more of a timing issue. We have not utilized our MTW contract with John Seasholz yet, and we had \$50K budgeted for Leadership training which we have yet to access. We will also be engaging a search firm for the recruitment of a new Development Director.
- Line 39 – Tenant Service – Other – Approximately \$275,000 of the budgeted amount is on the Sequestration list. As we have our Mid-Year discussions we will revisit these items.
- Line 61 – Section 8 HAP payments – At the end of March, we were approximately \$450K under budget on expenditures. This is due to both a lower occupancy level than budget, along with a lower HAP. We delayed implementation of our HOP program until we had more clarity of funding levels, and also to give us more time for it to be a successful implementation. We are currently leasing up HOP units, and that will assist in obtaining our occupancy goals. Additionally, we had budgeted \$600K for Special Program payments (Homeless Youth, Rapid Rehousing). We are in the process of executing the contracts, but as of this report have not expended any funds for these programs yet.

We are coming to a resolution with HUD on the Section 8 re-benchmarking issue we have been dealing with since March, 2012. It is not the conclusion we had hoped for, but we stated our case to the best of our abilities and are accepting a settlement where HUD will pay us \$1.2 million. This payment will not increase our baseline amount. It is a one-time payment.

## **2. INVESTMENTS**

Surplus funds are invested in Heritage checking and the Washington State Investment Pool. Rates with Heritage Bank currently remain at .40%. The Washington State Local Government Investment Pool currently provides a return rate of .17%.

## **3. AUDIT**

The unaudited Financial Data Schedule (FDS) submission to HUD was completed before the due date of February 28 and has been reviewed by HUD's REAC staff. The submission was accepted without any significant comments on part of HUD.

We have substantially completed our online submission to the State Auditor's Office (SAO) of the annual financial statements and all supporting schedules required, well before the May 29<sup>th</sup> deadline. The only pending item is an update of the notes to the financial statement to reflect the final settlement of the Citibank Salishan Area 3 Infrastructure Bonds, which is expected to be final on May 15<sup>th</sup>.

The auditors started the 2012 audit on May 7<sup>th</sup>. They will be conducting the Single Audit portion first, which will focus on our MTW program. After completing the Single Audit, they will then move into the Financial, and then the Accountability portion of the audit. The auditors will aim to complete the audit by the end of August in advance of the September 30<sup>th</sup> financial submission deadline with REAC. We have tentatively scheduled the auditor's entrance conference to be included in the June Finance Committee meeting.

## **4. BUDGETS**

We have a Mid-Year budget study session scheduled for July 12<sup>th</sup>. We are starting the process of working with Department Directors on obtaining requests for the revision. We will be looking at the effects of Sequestration and what effects it will have on the budget. The mid-year budget will reflect the funding identified this year that we will receive due to the Continuing Resolution and Sequestration. Additionally, there is a potential of MTW offsets due to excess reserves in 2014. We are in the middle of reserve discussions in order to attempt to do planning in order to shelter our reserves for offsets. The goals that will be used in these discussions are to determine activities that will:

- Make us stronger
- Make us more efficient
- Make us money
- Assist our tenants in being more successful

We will accomplish this task in two ways. We will come to the board asking to restrict reserves for specific purposes. We may also propose expenditures in our budget revision to accomplish some of the goals we have set above. We will use reserve appropriations to do so.

## **5. YEAR END CLOSING UPDATE**

There is no update at this time.

**TACOMA HOUSING AUTHORITY  
AGENCY WIDE**

	March, 2013				Thru 12/31/2013		
	CURRENT MTH ACTUAL	YEAR TO DATE ACTUAL	BUDGETED YTD	VARIANCE	PROJECTED ACTUAL	BUDGETED	VARIANCE
<b>OPERATING RECEIPTS</b>							
1 Tenant Revenue - Dwelling rent	294,288	886,525	882,694	0.43%	3,546,100	3,530,777	0.43%
2 Tenant Revenue - Other	14,069	25,354	4,256	495.69%	91,416	17,025	436.95%
3 HUD grant - Section 8 HAP reimbursemer	2,726,393	8,178,119	8,717,223	-6.18%	33,038,273	34,868,890	-5.25%
4 HUD grant - Section 8 Admin fee earned	212,018	635,657	697,407	-8.85%	2,542,628	2,789,629	-8.85%
5 HUD grant - Public Housing subsidy	189,607	609,934	579,806	5.20%	2,164,736	2,319,224	-6.66%
6 HUD grant - Community Services	13,851	29,742	35,246	-15.62%	118,968	140,984	-15.62%
7 HUD grant - Capital Fund Operating Reve	5,859	8,969	337,887	-97.35%	1,036,397	1,351,548	-23.32%
8 Management Fee Income	268,145	808,715	875,282	-7.61%	3,334,860	3,501,128	-4.75%
9 Other Government grants	25,425	42,916	57,858	-25.83%	142,540	231,432	-38.41%
10 Investment income	213,661	336,558	12,738	2542.26%	364,989	50,950	616.37%
11 Fraud Recovery Income - Sec 8	1,712	4,160	15,000	-72.27%	16,640	60,000	-72.27%
12 Other Revenue- Developer Fee Income	0	0	74,500	-100.00%	379,000	298,000	27.18%
13 Other Revenue	69,073	152,157	192,732	-21.05%	608,628	770,926	-21.05%
14 <b>TOTAL OPERATING RECEIPTS</b>	<b>4,034,101</b>	<b>11,718,806</b>	<b>12,482,628</b>	<b>-6.12%</b>	<b>47,385,175</b>	<b>49,930,513</b>	<b>-5.10%</b>
<b>OPERATING EXPENDITURES</b>							
<i><b>Administrative Expenses</b></i>							
15 Administrative Salaries	408,681	1,036,652	1,069,346	-3.06%	4,246,608	4,277,385	-0.72%
16 Administrative Personnel - Benefits	147,890	408,677	436,496	-6.37%	1,634,708	1,745,985	-6.37%
17 Audit Fees	0	4,886	17,736	-72.45%	70,942	70,942	0.00%
18 Management Fees	215,903	657,041	671,681	-2.18%	2,628,164	2,686,722	-2.18%
19 Rent	23,526	70,578	70,575	0.00%	282,312	282,299	0.00%
20 Advertising	0	161	4,663	-96.55%	9,325	18,650	-50.00%
21 Information Technology Expenses	12,143	58,180	69,057	-15.75%	272,720	276,227	-1.27%
22 Office Supplies	7,175	10,918	20,259	-46.11%	73,672	81,037	-9.09%
23 Publications & Memberships	1,441	29,903	13,566	120.42%	59,612	54,265	9.85%
24 Telephone	6,184	23,798	29,397	-19.05%	95,192	117,589	-19.05%
25 Postage	2,896	8,670	9,984	-13.16%	34,680	39,935	-13.16%
26 Leased Equipment & Repairs	5,553	16,159	12,521	29.05%	64,636	50,085	29.05%
27 Office Equipment Expensed	4,997	14,000	19,796	-29.28%	56,000	79,184	-29.28%
28 Legal	16,874	39,005	23,149	68.50%	156,020	92,595	68.50%
29 Local Milage	657	1,432	3,846	-62.76%	17,184	15,383	11.71%
30 Staff Training/Out of Town travel	14,777	28,617	50,404	-43.22%	171,702	201,616	-14.84%
31 Administrative Contracts	34,866	61,071	96,478	-36.70%	369,284	385,910	-4.31%
32 Other administrative expenses	5,605	12,866	23,568	-45.41%	91,464	94,270	-2.98%
33 Due diligence - Perspective Development	7,248	78,628	127,500	-38.33%	314,512	510,000	-38.33%
34 Contingency	0	0	24,988	-100.00%	0	99,950	-100.00%
35 <b>Total Administrative Expenses</b>	<b>916,416</b>	<b>2,561,242</b>	<b>2,795,007</b>	<b>-8.36%</b>	<b>10,648,737</b>	<b>11,180,029</b>	<b>-4.75%</b>

		March, 2013				Thru 12/31/2013		
		CURRENT MTH ACTUAL	YEAR TO DATE ACTUAL	BUDGETED	VARIANCE	PROJECTED ACTUAL	BUDGETED	VARIANCE
	<b>Tenant Service</b>							
36	Tenant Service - Salaries	72,426	190,006	238,085	-20.19%	860,024	952,339	-9.69%
37	Tenant Service Personnel - Benefits	27,514	77,259	99,151	-22.08%	334,036	396,603	-15.78%
38	Relocation Costs	169	4,917	4,853	1.33%	19,668	19,410	1.33%
39	Tenant Service - Other	7,728	16,898	127,056	-86.70%	267,592	508,225	-47.35%
40	<b>Total Tenant Services</b>	<b>107,837</b>	<b>289,080</b>	<b>469,144</b>	<b>-38.38%</b>	<b>1,481,320</b>	<b>1,876,577</b>	<b>-21.06%</b>
	<b>Project Utilities</b>							
41	Water	8,557	27,925	29,078	-3.96%	111,700	116,310	-3.96%
42	Electricity	20,444	64,444	51,013	26.33%	182,776	204,050	-10.43%
43	Gas	5,290	18,000	16,368	9.97%	72,000	65,470	9.97%
44	Sewer	29,244	91,884	86,656	6.03%	367,536	346,625	6.03%
45	<b>Total Project Utilities</b>	<b>63,535</b>	<b>202,253</b>	<b>183,114</b>	<b>10.45%</b>	<b>734,012</b>	<b>732,455</b>	<b>0.21%</b>
	<b>Ordinary Maintenance &amp; Operations</b>							
46	Maintenance Salaries	49,400	141,513	150,412	-5.92%	616,052	601,649	2.39%
47	Maintenance Personnel - Benefits	14,678	42,894	45,956	-6.66%	181,574	183,822	-1.22%
48	Maintenance Materials	16,061	44,809	51,050	-12.23%	179,236	204,200	-12.23%
49	Contract Maintenance	89,695	209,064	213,251	-1.96%	886,256	853,002	3.90%
50	<b>Total Routine Maintenance</b>	<b>169,834</b>	<b>438,280</b>	<b>460,668</b>	<b>-4.86%</b>	<b>1,863,118</b>	<b>1,842,673</b>	<b>1.11%</b>
	<b>General Expenses</b>							
51	Protective Services	12,234	37,345	35,850	4.17%	149,380	143,400	4.17%
52	Insurance	15,972	42,470	42,140	0.78%	169,880	168,558	0.78%
53	Other General Expense	98,347	261,303	274,320	-4.75%	1,045,212	1,097,280	-4.75%
54	Payment in Lieu of Taxes	1,199	3,596	3,615	-0.53%	14,384	14,461	-0.53%
55	Collection Loss	831	831	10,817	-92.32%	50,000	43,268	15.56%
56	Interest Expense	65,993	185,359	228,622	-18.92%	916,436	914,486	0.21%
57	<b>Total General Expenses</b>	<b>194,576</b>	<b>530,904</b>	<b>595,363</b>	<b>-10.83%</b>	<b>2,345,292</b>	<b>2,381,453</b>	<b>-1.52%</b>
58	<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 1,452,198</b>	<b>\$ 4,021,759</b>	<b>\$ 4,503,297</b>		<b>\$ 17,072,479</b>	<b>\$ 18,013,187</b>	
	<b>Nonroutine Expenditures</b>							
59	Ext. Maint/Fac Imp/Gain/Loss Prop Sale	0	0	30,250	-100.00%	120,000	121,000	-0.83%
60	Casualty Losses	(62,652)	29,958	11,763	154.69%	119,832	47,050	154.69%
61	Sec 8 HAP Payments	2,451,936	7,325,864	7,885,503	-7.10%	29,903,456	31,542,010	-5.19%
62	<b>Total Nonroutine Expenditures</b>	<b>2,389,284</b>	<b>7,355,822</b>	<b>7,927,515</b>	<b>-7.21%</b>	<b>30,143,288</b>	<b>31,710,060</b>	<b>-4.94%</b>
63	<b>TOTAL EXPENDITURES</b>	<b>3,841,482</b>	<b>11,377,581</b>	<b>12,430,812</b>	<b>-8.47%</b>	<b>47,215,767</b>	<b>49,723,247</b>	<b>-5.04%</b>
64	<b>OPERATING SURPLUS/(DEFICIT)</b>	<b><u>192,619</u></b>	<b><u>341,226</u></b>	<b><u>51,817</u></b>	<b><u>558.53%</u></b>	<b><u>169,408</u></b>	<b><u>207,266</u></b>	<b><u>-18.27%</u></b>
65	Debt Service Principal Payments	(91,095)	(99,243)	(134,961)	-26.47%	(539,844)	(539,844)	0.00%
66	<b>Surplus/Deficit Before Reserve Appropriations</b>	<b>101,524</b>	<b>241,983</b>	<b>(83,145)</b>	<b>-391.04%</b>	<b>(370,436)</b>	<b>(332,578)</b>	
67	Reserve Appropriations - Operations	26,412	76,881	91,316	-15.81%	307,524	365,263	-15.81%
68	<b>Surplus/Deficit Before Capital Expenditures</b>	<b><u>127,936</u></b>	<b><u>318,864</u></b>	<b><u>8,171</u></b>		<b><u>(62,912)</u></b>	<b><u>32,685</u></b>	
69	Revenue - Capital Grants	110,832	142,730	(3,778,275)	-103.78%	429,980	(15,113,100)	-102.85%
70	Capitalized Items/Development Projects	(130,267)	(263,617)	3,434,525	-107.68%	(551,965)	13,738,100	-104.02%
71	Reserve Appropriations - Capital	42,037	118,902	336,250	-64.64%	120,000	1,345,000	-91.08%
71	<b>THA SURPLUS/(DEFICIT)</b>	<b><u>150,538</u></b>	<b><u>316,879</u></b>	<b><u>671</u></b>		<b><u>(64,897)</u></b>	<b><u>2,685</u></b>	

TACOMA HOUSING AUTHORITY				
CASH POSITION - April 2013				
Account Name		Current Balance		Interest
HERITAGE BANK				
Accounts Payable		\$	673,182	0.400%
Section 8 Checking			7,938,844	0.400%
THA Investment Pool			286	0.400%
THA LIPH Security Deposits			92,381	0.400%
THDG - Tacoma Housing Development Group			49,289	0.400%
LF - Stewart Court			25,631	0.400%
LF - Stewart Ct Security Deposit Account			8,870	0.400%
LF - SF 9Homes Alaska			165,330	0.400%
LF - SF 9Homes Alaska Sec Dep Acct			5,835	0.400%
LF - SFH No. Shirley			5,304	0.400%
LF - SFH N Shirley Security Deposit Acct			1,002	0.400%
LF - Wedgewood Homes			42,452	0.400%
Salishan 7			1,025,906	0.400%
Salishan 7 Security Deposit			25,941	0.400%
Payroll Account			4,491	0.400%
General Fund Money Market			3,280,707	0.400%
WASHINGTON STATE				
Investment Pool		\$	1,524,264	0.170%
CHASE				
IDA Account			22,666	0.01%
1. TOTAL THA CASH BALANCE		\$	14,892,379	
Less:				
2. MTW Cash Balance		\$	7,377,894	
Less MTW Cash Set-Aside				
2.1 Hillside Terrace Redevelopment RHF fund guarantee to Chase Bank			1,232,000	
3. MTW Cash Available		\$	6,145,894	
4. Non MTW Cash				
Other Restrictions:				
4.01 FSS Escrows			138,335	
4.02 VASH, FUP & NED HAP Reserves			(39,379)	
4.03 Mod Rehab Operating Reserves			48,898	
4.04 Security Deposit Accounts			128,610	
4.05 Salishan Sound Families - 608			173,108	
4.06 IDA Accounts - 604			22,666	
4.07 Paul Allen Foundation - 609			25,902	
4.08 Gates Foundation - 612, 622 & 623			281,448	
4.09 WA Families Fund - 673, 712			85,815	
4.10 Wedgewood Replacement Reserve			703,251	
4.11 THDG - 048			49,289	
4.20 Total - Other Restrictions		\$	1,617,945	
Agency Liabilities:				
4.30 Windstar Loan - 042			314,509	
4.31 Citibank Loan for Area 3 - Guarantee (Current)			1,576,413	
4.32 Additional Set Aside Reserves - Salishan			2,400,000	
4.40 Total - Agency Liabilities		\$	4,290,922	
4.50 Development Advances/Due Diligence Commitments		\$	97,082	
5. Total Non MTW Cash Restrictions (Lines 4.20+4.40+4.50)		\$	6,005,949	
6. THA UNENCUMBERED CASH (Lines 1-2-5)		\$	1,508,536	
Agency Current Commitments:		Board Approval	Expended	Obligation Balance
LASA Development advance		\$ 375,000	\$ 330,152	\$ 44,848
Salishan Campus (2012 exp plus 2013 budget)		\$ 167,840	\$ 115,606	\$ 52,234
Total Current Commitments outstanding				\$ 97,082
Agency Advances - Reduces Unencumbered Cash				
Hillside Terrace Redevelpmnt - HTF, HOME, CDBG and COT Funds		\$	897,579	
Total Agency Advances		\$	897,579	

REAL ESTATE MANAGEMENT  
AND  
HOUSING SERVICES



# TACOMA HOUSING AUTHORITY

Date: May 22, 2013

To: THA Board of Commissioners

From: April Black  
Director of Real Estate Management and Housing Services

Re: Department of Real Estate Management and Housing Services Monthly Board Report

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## 1. PROPERTY MANAGEMENT DIVISION

### *1.1 Occupancy:*

Unit occupancy is reported for the first day of the month. This data is for the month of April 2013. The high vacancy rate is attributable to THA's meth strategy. I have outlined our plans for improving the occupancy on the following page.

OCCUPANCY SUMMARY REPORT					
PROGRAM	UNITS AVAILABLE	UNITS VACANT	UNITS OFFLINE	UNITS OCCUPIED	% MTH OCCUPIED
All Hillside	62	9	104	53	85.5%
Family Properties	201	10	5	186	90.3%
Salishan	628	75	0	553	88.1%
Senior/Disabled	353	16	0	337	95.5%
All Total	1,244	110	109	1,129	91.8%

### *1.2 Vacant Unit Turn:*

The following page includes a table with all of the units turned in fiscal year 2013. Six (6) units were turned and rented in the month of April. The average unit turn for the month of March was 181.83 days and 92.7 days FYTD. One of the units that were turned in April had tested positive for meth and needed to be remediated.

As of May 7, 2013, 73 of the 171 units that have been tested for contamination have tested positive for methamphetamine. This is a 43% positive rate for the units that have been tested.

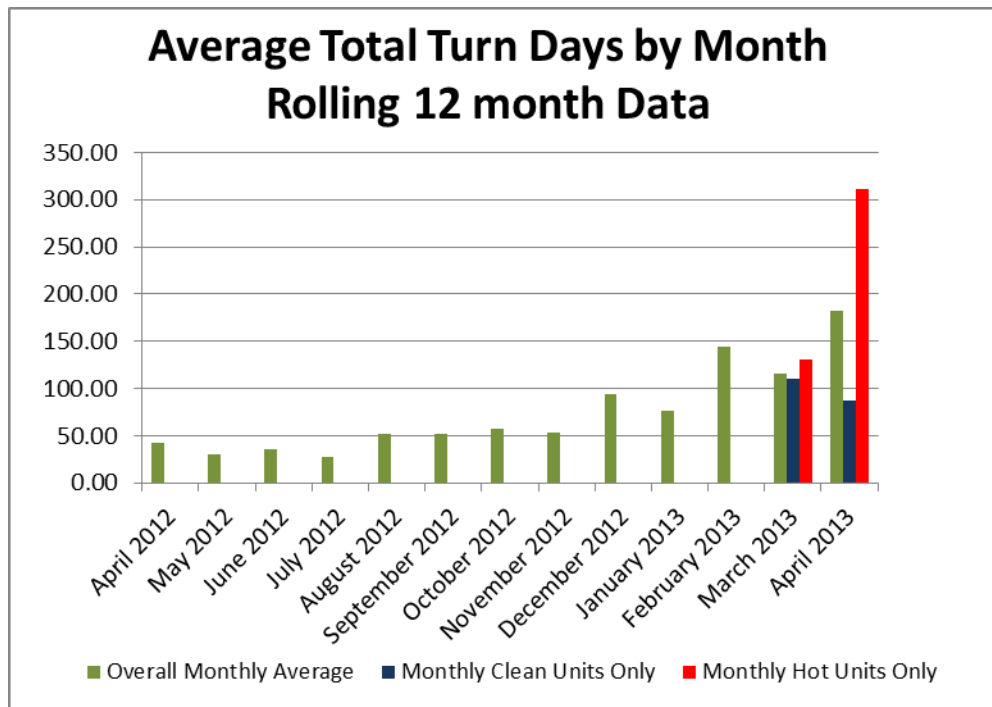
As of May 7, 2013, there were 127 vacant units in THA's portfolio. Six of those units are offline due to modernization work and are not included in the table below. The following table outlines the units by the month they became vacant and whether they are contaminated, clean or awaiting testing.

<b>MONTH UNIT VACANT</b>	<b>CONTAMINATED</b>	<b>CLEAN</b>	<b>AWAITING TESTING/ RESULTS</b>
Prior to October 2012	12	1	0
OCTOBER	10	3	0
NOVEMBER	7	7	0
DECEMBER 2012	11	3	1
JANUARY 2013	8	5	3
FEBRUARY 2013	9	2	8
MARCH 2013	2	1	11
APRIL 2013	2	0	11
MAY	0	0	3

Because of the number of vacant, clean units that have been sitting for 90+ days, we expect to see average turn time for clean and contaminated units to remain high for at least the next two months. Below is a list of the steps we have taken or plan to take to improve unit turnaround time moving forward:

- Property Management and Leasing staff has set a goal to have all 2012 vacancies (where the units are clean or de-contaminated) re-rented by April 30<sup>th</sup>. Nine out of the twelve units were turned by April 30<sup>th</sup> and are being leased now. The three remaining units are scheduled to be turned on May 10<sup>th</sup>.
- Property Management and Leasing staff has set a goal to have all January-April 2013 vacancies (where the units are clean or de-contaminated) re-rented by June 30<sup>th</sup>.
- Where units are awaiting testing, THA has asked the contractor to perform analytical tests on all THA-owned units since the change in insurance coverage will impact those units first. The Asset Management Committee is crafting an alternative testing strategy now. Once this plan has been fully vetted, we will proceed with testing the remaining vacant units. The goal is to begin testing those units by June 15<sup>th</sup>. This will delay turning and re-renting of all units in the "awaiting testing/results" column in the table above.
- THA is contracting painting and janitorial services in all tax credit units (Salishan and Hillside Terrace) to free up THA staff time to work in more units.
- For the vacant units at Stewart Court, we are planning to decrease the advertised rent amount to attract more eligible, interest tenants.

The table below shows the calendar year trend in average unit turn days each month:



1.3 *Work Orders:* In the month of April all emergency work orders were completed within 24 hours. This month, maintenance staff completed 209 non-emergency work orders and a total of 1,142 for the calendar year. The annual average number of days to complete a non-emergency work order is 12.99.

### Work Order Summary by Portfolio

Portfolio	Completed Work Orders							
	Emergency				Non-Emergency			
	Month		YTD		Month		YTD	
	#	%	#	% Completed	#	Avg	#	Avg Completion
	Completed	Completed	Completed	in 24 hrs (99% HUD Std)	Completed	Completion	Completed	Days
		in 24 Hrs				Days		(25 days HUD Std)
<b>All Hillside</b>								
HILLSIDE TERRACE	0	0.0%	0	0.0%				
HILLSIDE TERRACE 1500 Block	0	0.0%	1	100.0%	15	1.20	53	1.42
HILLSIDE TERRACE PH 1	0	0.0%	3	100.0%	10	0.20	68	1.38
HILLSIDE TERRACE PH II	1	100.0%	3	100.0%	10	0.20	78	1.28
	1	100.0%	7	100.0%	35	0.63	199	1.35
<b>Family Properties</b>								
ALL SCATTERED SITES	0	0.0%	0	0.0%	13	98.85	51	70.51
BERGERSON TERRACE	2	100.0%	2	100.0%	18	45.67	74	32.30
DIXON VILLAGE	0	0.0%	0	0.0%	6	32.33	35	28.54
STEWART COURT APARTMENTS	0	0.0%	1	100.0%	10	11.70	44	21.59
	2	100.0%	3	100.0%	47	51.45	204	38.90
<b>Salishan</b>								
SALISHAN I	0	0.0%	3	100.0%	13	17.38	67	9.57
SALISHAN II	0	0.0%	2	100.0%	17	10.82	105	11.63
SALISHAN III	0	0.0%	2	100.0%	15	8.93	64	11.23
SALISHAN IV	2	100.0%	5	100.0%	13	19.23	79	19.05
SALISHAN V	1	100.0%	1	100.0%	13	5.62	77	5.30
SALISHAN VI	3	100.0%	3	100.0%	9	0.89	61	12.11
SALISHAN VII	0	0.0%	4	100.0%	6	11.83	49	8.96
	6	100.0%	20	100.0%	86	11.00	502	11.30
<b>Senior / Disabled Properties</b>								
6TH AVE	1	100.0%	1	100.0%	6	1.00	48	4.88
E.B. WILSON	4	100.0%	16	100.0%	8	0.88	51	3.77
FAWCETT APARTMENTS	0	0.0%	0	0.0%	3	3.00	17	3.12
LUDWIG APARTMENTS	0	0.0%	1	100.0%	7	7.29	28	2.82
NORTH G ST	0	0.0%	3	100.0%	6	1.00	30	7.80
NORTH K ST	1	100.0%	3	100.0%	5	0.00	24	2.42
WRIGHT AVE	0	0.0%	3	100.0%	6	3.00	39	2.77
	6	100.0%	27	100.0%	41	2.37	237	4.04
Agency Totals:	15	100.0%	57	100.0%	209	16.67	1,142	12.99

In the report on the following page you will note that we have over 328 open work orders. The goal is to have all work orders closed that are greater than 25 days in the month of June.

## For the Month of April 2013

Open Work Orders					
Portfolio	Open Emergency WO	Days Open	Open Non- Emergency WO	< 25 Days	>25 Days
<b>All Hillside</b>					
HILLSIDE TERRACE	0	0	1	0	1
HILLSIDE TERRACE 1500 Block	0	0	2	2	0
HILLSIDE TERRACE PH 1	0	0	1	1	0
HILLSIDE TERRACE PH II	0	0	2	2	0
<b>TOTALS HILLSIDE TERRACE</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>5</b>	<b>1</b>
<b>Family Properties</b>					
ALL SCATTERED SITES	0	0	15	7	8
BERGERSON TERRACE	0	0	6	1	5
DIXON VILLAGE	0	0	5	3	2
STEWART COURT APARTMENTS	0	0	5	3	2
<b>TOTALS FAMILY PROPERTIES</b>	<b>0</b>	<b>0</b>	<b>31</b>	<b>14</b>	<b>17</b>
<b>Salishan</b>					
SALISHAN I	0	0	35	7	28
SALISHAN II	0	0	75	9	66
SALISHAN III	0	0	25	11	14
SALISHAN IV	0	0	34	10	24
SALISHAN V	0	0	37	12	25
SALISHAN VI	0	0	25	8	17
SALISHAN VII	0	0	36	15	21
<b>TOTALS SALISHAN</b>	<b>0</b>	<b>0</b>	<b>267</b>	<b>72</b>	<b>195</b>
<b>Senior / Disabled Properties</b>					
6TH AVE	0	0	5	3	2
E.B. WILSON	0	0	1	0	1
FAWCETT APARTMENTS	0	0	3	1	2
LUDWIG APARTMENTS	0	0	2	2	0
NORTH G ST	0	0	7	4	3
NORTH K ST	0	0	0	0	0
WRIGHT AVE	0	0	6	2	4
<b>TOTALS SENIOR/DISABLED</b>	<b>0</b>	<b>0</b>	<b>24</b>	<b>12</b>	<b>12</b>
<b>Agency Totals:</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>103</b>	<b>225</b>

*1.4 Bed Bug update:*

THA has had 20 units and 3 common areas infected with Bed bugs. THA currently has 3 units that are currently being treated for bed bugs at 401 N G St. THA will be doing the following over the next 2 months to help control the Bed Bug infestation.

- THA will meet with our pest control vendor to gain more information about treatment efforts that have been done and future treatment recommendations.
- THA will meet with tenants at 401 N G St to see if there are any more reports of Bed Bugs and explain the importance of tenant cooperation to help control the problem. The pest control vendor will be present at the resident meeting to help answer questions.
- THA Pest control vendor will present to the THA Board their approach to the problem and verify our current direction and answer questions.
- THA Pest control vendor will conduct training for THA staff that enters units to minimize potential exposure and identify proper PPE equipment.

## 2. RENTAL ASSISTANCE DIVISION

Housing Choice Voucher utilization is reported at 97.3% for the month of April 2013. Rental Assistance continues to work hard to reach 100% utilization. The Leasing Department has conducted 8 briefings so far which have resulted in approximately 120 HOP subsidies being issued with 12 leased up. We anticipate being able to conduct several more briefings through May. Resident Services and Leasing have continued their partnership for the briefings which provides a productive and informative experience for the clients.

We are also opening our HOP waiting list June 3-10. This is the first time THA has opened a rental assistance waiting list since April 2008. I have included a copy of one of the flyers that are being used to advertise this waiting list opening for your reference.

Below is a breakdown of the progress leasing our special programs:

Program Name	Units Allocated	Units Leased	Number of shoppers*
Veterans Administration Supportive Housing (VASH)	130	97 (including 1 port out)	2 shoppers and 4 referrals pending
Non-Elderly Disabled Vouchers (NED)	100	89 ( including 12 port outs)	1 shopper and 1 referral pending
Family Unification Program (FUP)	50	39 (including 1 port out)	0 shoppers and 0 referrals pending
McCarver Program	50	49	1 shopper
Life Manor	150	150	0

\*"Shoppers" are households that have been approved for the program and are searching for housing.

The VA continues to make referrals for the regular VASH program as well as the Project Based units. We continue to discuss the lack of referrals from the VA. After providing our report to HUD regarding utilization of these vouchers, the referrals have continued to increase. The VA has added two additional case workers in the past month and we hope to see referrals increase even more. They continue to assure us that the referrals are their top priority.

The NED units continue to have a large number of turn over. The turn over average is around 15%. This is due to increased health problems, including deaths of clients, service requirements of the clients, and program non-compliance. DSHS continues to supply referrals quickly. We meet regularly with the DSHS staff. They provide excellent customer service to our clients and continue to be extremely responsive to our requests.

On June 3rd, 2013, the **Tacoma Housing Authority** will begin accepting applications for placement on the **Housing Opportunity Program (HOP)** waiting list.

The HOP Program replaces the Section 8 Program.



Applications will be taken **online** only  
from **June 3rd to June 9th, 2013**  
at the following URL:  
[www.tacomahousing.org](http://www.tacomahousing.org)

After June 9th, a lottery will be held to determine random placement on the waiting list. Only the first **1,000 applicants** drawn will receive a place on the waiting list.

Only one application per family will be accepted and applicants must be 18 years of age or older.

Applicants must have a mailing or email address.

Applicants can access a computer to apply at the following locations:

Tacoma Public Libraries  
Main: 1102 Tacoma Ave South  
Fern Hill: 765 South 84th St  
Kobetich: 212 Brown's Point Blvd NE  
Moore: 215 South 56th St  
Mottet: 3523 East G Street  
South Tacoma: 3411 S 56th St  
Swasey: 7001 Sixth Avenue  
Wheelock: 3722 North 26th Street  
Family Investment Center  
1724 East 44th Street  
Korean Women's Association  
123 E 96th St  
MDC  
721 Fawcett Ave, Suite 29  
South Sound Outreach  
1106 MLK Jr Way  
Tacoma Area Coalition of Individuals  
with Disabilities  
6315 South 19th Street

THA is committed to equal opportunity. It does not unlawfully discriminate on the basis of race, color, national origin, religion, gender, disability, age, familial status, marital status, sexual orientation, veteran or military status, or gender identity.

THA will reasonably accommodate the needs of disabled persons. THA has units accessible to persons with disabilities. It will also reasonably modify units as necessary to meet the needs of disabled persons.

THA's Civil Rights Compliance Coordinator is responsible for coordinating THA's compliance with the law. He or she can be reached at (253) 207-4421.



REAL ESTATE

DEVELOPMENT



# TACOMA HOUSING AUTHORITY

DATE: May 22, 2013

TO: THA Board of Commissioners

FROM: Tina Hansen  
Interim Director of Real Estate Development

RE: Real Estate Development Department Monthly Board Report

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## 1. SALISHAN/HOPE VI

### 1. Phase II Construction

#### 1.1.1 *Area 2A, Community Core Development*

The Working Group - consisting of potential tenants of the Core, residents, and other stakeholders – met on March 28 to discuss steps being made by each member and to develop a slate of activities for the summer and fall. We are looking to bring a farmer's market, coffee truck, sport/art activities, writing program, and other activities starting in June or July. Our next meeting will be in June.

The Board approved the general Master Plan Concept at its June 2012 meeting.

Feasibility studies related to THA's ability to raise the money necessary to develop the project are now being conducted. THA has procured The Alford Group to assist us in assessing financial feasibility. The first step is a Philanthropic Market Assessment to gauge how the community perceives THA as a philanthropic entity. This will take approximately 16-18 weeks to complete. We have developed a list of community leaders to interview as a part of this Assessment; interviews began in February and are on-going. The goal is to do approximately 40 interviews before Alford compiles its report.

#### 1.1.2 *Area 3 Lot Sales, Citibank Loan*

Benjamin Ryan, LLC, a local builder, has purchased 22 of the 28 lots purchase by Quadrant in 2011. Benjamin Ryan is now actively building and marketing homes along Roosevelt.

To date, staff has negotiated a Purchase and Sale offer with DR Horton for the 143 remaining lots in Area 3. THA received disposition amendment approval from HUD for Area 3 on March 14. Negotiations with Horton on the PSA are now complete.

Negotiations are also complete with Citibank. THA and Citibank have agreed upon terms in a Bond Settlement Agreement which was approved at a special board meeting on April 2. Closing on the Horton transaction, and concurrent termination of the Citibank loan occurred May 15.

## **2. PUBLIC HOUSING PROJECTS**

### **2.1 1800/2500 Hillside Terrace**

#### **2.1.1 *Summary of Project Activities.***

Absher Construction Inc. was issued a Notice-to-Proceed with Phase I construction on April 4, 2013. Construction fencing has been erected and the abatement contractor has mobilized.

On April 22, 2013, staff will provide a tour of the Hillside Terrace Phase I project with University of Washington Urban Development students. This tour is continuation of an opportunity for students to use this current project as a case study.

Staff will begin planning for a Hillside Terrace Phase I ground breaking ceremony to be scheduled shortly after demolition is completed in the Phase I area.

#### **2.1.2 *Financing.***

Financial closing was completed on April 2, 2013. Staff will begin studying options for the Phase II financing.

#### **2.1.3 *Project Planning.***

Staff will begin planning and programming for the Phase II 70 unit project.

#### **2.1.4 *Procurement.***

None

#### **2.1.5 *Architecture.***

GGLO Architects will be providing construction administration activities during the Phase I construction project.

#### **2.1.6 *Construction.***

The “official” kick-off meeting for the Owner, Architect and Contractor (OAC) weekly construction meeting was held April 4<sup>th</sup> in the previous Site Management office building. The Notice to Proceed for all construction activities through completion was executed on April 4<sup>th</sup>, 2013. Abatement,

Selective demolition of the interiors and preparation for abatement began April 4<sup>th</sup> and is ongoing. Recycling of appliances was completed with the selective demolition. Abatement started in Building 533 on April 9<sup>th</sup> and is currently underway.

2.1.7 *Demolition/Disposition.*

Demolition is scheduled to start after the first phase of asbestos abatement is completed. The tentative start date is May 13<sup>th</sup>..

THA entered into agreement with both The Tacoma Fire Department and The Tacoma Police Department to allow the organizations supervised access to the existing buildings to support their training programs, prior to demolition. Both departments engaged in onsite training exercises during April.

2.1.8 *Site work.*

Site work at the Community Center is underway. Work includes; clearing, rough grading, footing excavation, forming and pouring footings.

2.1.9 *Utilities.*

Temporary power is being installed to provide the current neighbors with power during construction and to supply power for construction facilities and equipment.

2.1.10 *Community Meetings.*

The Construction Oversight Committee continues to meet on the second Wednesday of each month.

Below is a summary of the outreach goals for the project.

Absher Construction Company's total Resident Employment, WMBE Utilization, and Apprenticeship goal commitment and monthly utilization:

	GOAL	PREVIOUS ACTUAL	ACTUAL AS OF 5-7-13
MBE	14%	9.47%	8.89%
WBE	8%	11.89%	12.18%
Section 3 Business	10%	12.28%	11.66%
Section 3 New Hires	30%	N/A	55%
Apprenticeship	10%	N/A	1.91%

2.1.11 *Community/Education Center.*

Staff has finalized the Memorandum of Understanding (MOU) with Tacoma Public Schools to provide the Head Start program for Hillside Terrace.

2.1.12 *Project Schedule.*

**HILLSIDE Terrace, Phase I - MAJOR PROJECT MILESTONES THROUGH 2012, EARLY 2013**

Demolition/Disposition approval received from HUD	Complete
Begin Tenant Relocation Process	Complete
Phase I Permit Package Submitted to City for Review	Complete
Section 3 Construction Over Sight Committee Convenes	September 2012
Construction Bidding Process	Complete
Phase I Project Area Vacated	Complete
Close on all Financing	Complete
Construction Notice to Proceed	Complete
Demolition Begins	June 2013
Infrastructure	
Development Begins	July 2013
Vertical Construction Begins	June 2013

**3. CAPITAL FUNDS**

**3.1 Capital Fund Construction.**

3.1.1. *Public Housing Scattered Site Renovations*

THA has categorized the work in order of importance and according to funding availability. Currently, the categories of work are as follows:

**EXTERIOR PREP AND PAINTING**

Project is closed.

**MULTI-SCOPE WORK**

The Multi-Scope work is being managed in two Phases;

Group A - Libby Builders is the successful bidder and the Notice to Proceed was executed March 28<sup>th</sup>. Work is currently underway. 120 E. Bismark is anticipated to be completed by the end of May and 6413 S. Pine is schedule for substantial completion the first of June, The demolition at 5801 E.

Roosevelt and 6438 S. Puget Sound is finished. All work in Group A is scheduled for substantial Completion in June. Group B – Three Scattered Sites will receive extensive electrical service upgrades, HVAC replacements, venting repairs, structural repairs, interior and exterior painting and floor covering replacement. Bids were received April 9<sup>th</sup>. The project is anticipated to be awarded on May 7<sup>th</sup> and a start date of May 9<sup>th</sup>, 2013 is planned.

#### 4. OTHER PROJECTS

##### 4.1 *Neighborhood Stabilization Program (NSP 1*

THA purchased 4825 E L Street on March 20. This will be the last NSP house that THA purchases. THA will be returning the balance of funds to the City of Tacoma.

##### 4.1.1 *Construction Procurement)*

The bid documents for renovations were made available May 2<sup>nd</sup> and bids are due May 29<sup>th</sup>. THA is going to receive an additional \$960,000 from the City of Tacoma to continue the foreclosure work. The City received additional funding through the Attorney General's office. We anticipate entering into the contract with the City in June pending the outcome of THA's revised meth policy

##### 4.2 *LASA Supportive Housing Project*

Staff is working with LASA, a non-profit organization based in Lakewood that provides supportive services to homeless families to develop a 15-unit homeless family housing project on land owned by LASA. We will also be developing a client service center and new office space for LASA. THA will be the developer/owner of this project. LASA will provide case management services and will be the "master tenant" of the project once it is operational.

The project has been on "hold" since mid-March due to unexpected action by the Washington State Housing Finance Commission board. The board pulled the project from the approval resolution due to concerns about costs. THA staff has been in on-going dialogue with both the Commission and Housing Trust Fund staff to arrive at a positive resolution of the issue in order to move the project forward. Hopefully we will have resolution in June which will enable us to resume predevelopment activities.

Project Schedule (assuming financing is retained)

Submit Tax Credit Application	January 2013
Begin relocation activities	July 2013
Issue RFP for Investor/Lender	January 2013

Select Investor/Lender	March 2013
Submit for Building Permit	July 2013
Issue ITB for Contractor	August 2013
Award Contractor Contract	September 2013
Financial closing	November 2013
Construction Start	November 2013
Complete Construction	July 2014

4.3 *Stewart Court*

THA has received an offer to purchase the property. The pending sale is in the due diligence stage at this time. The purchase and sale agreement is currently being drafted by THA attorneys.

4.4 *902 South L Street 2<sup>nd</sup> Floor Tenant Improvement*

The Board of Commissioners approved \$350,000 for tenant improvements to the 902 South L Street 2<sup>nd</sup> floor in the 2013 annual budget. Staff met with Buffalo Design May 15 to review 3 concepts. Buffalo is developing the final concepts based on staff's feedback.

## 5. DEVELOPMENT PIPELINE PROJECTS

5.1 *Intergenerational Housing at Hillsdale Heights*

In March, the Board of the Many Lights Foundation met with staff to extend an offer to THA to serve as the developer of the project they seek to build at Hillsdale Heights. Many Lights also offered to purchase the land it seeks to build upon at Hillsdale Heights. Staff agreed to evaluate these offers and to respond at a later date.

### Background

The Many Lights Foundation is considering making an offer to purchase some or all of THA's Hillsdale Heights property at S. 60<sup>th</sup> & McKinley. THA and ManyLights have signed a nonbinding MOU that defines each agency's role in exploring a potential joint venture to develop housing at Hillsdale Heights.

The Many Lights project concept is to develop 48 units of housing that includes a mix of housing affordable to low-income seniors and families caring for foster children. This project concept is based upon successes achieved by several other similar projects where seniors, families, and foster children live in an affordable, supportive and intentional community.

Board members from the Many Lights Foundation have recently indicated to THA that they will have a refined and specific development program for the Hillsdale Heights site completed by the end of the year. This development program will have two important purposes. First, it will help community members to understand the

Many Lights development proposal; and, second, it will help THA to determine how it might formally collaborate with Many Lights and its development team; and it might enable THA to formulate a development concept of its own for the vacant land at Hillsdale Heights not purchased by the Many Lights Foundation.

THA is consulting with its community partners in the McKinley Avenue area about the Many Lights Foundation proposal. THA has made no commitments.

5.2 *City-Owned Brown Star Grill Properties on MLK*

Tacoma Housing Authority (THA) in collaboration with Kevin Grossman, principal of Tacoma Business District Revitalization Group (RG), propose to enter into two Development Agreements with the City of Tacoma (COT) to pursue a feasibility study for the development of the Brown Star Grill properties. The redevelopment of these properties could be an important spur to the revitalization of the Hilltop.

The General goals of the development are; mixed use with retail or service businesses on the ground floors and residential units on upper floors. The site would be developed as two separate projects. Each project would have a separate feasibility development agreement with the City of Tacoma.

The first project would be developed by RG and includes the rehabilitation of the Pochert and Kellogg-Sicker buildings into a restaurant, retail or services on the ground floor and market rate residential on the second floor. The property would be sold to RG at a fair market price as determined by an appraisal. RG would development the property over the next 1-2 years.

The second project would be developed by THA and would include new construction on the vacant lot and the corner parcel, currently occupied by Mr. Mac's store. This building might include, retail or services on the ground floor and housing that addresses area employee housing needs, such as medical workers and support personal at St. Joes, and Community Health Care (CHC). In addition CHC will have a resident program with doctors who will need housing. The project would include units for low income persons serving an average AMI of 50% and Market Rate housing. Some units may be Project Based Vouchers or Tenant Based Vouchers that serve very low income households.

Currently we envision the project as follows:

THA and RG would coordinate on design, parking and occupancy/use. RG will rehab consistent with historic aesthetics, THA's new project would be aesthetically consistent across lower floors of the buildings with the rehab by RG and with its neighbor Community Healthcare. The proposed project would be no more than 4 floors. THA and RG are in agreement that parking is critical to both the success of the housing and retail components of the projects and neighborhood. The Key Bank

property located close to the project is a consideration for additional parking, if needed. RG will rehab consistent with historic aesthetics, THA's new project would be aesthetically consistent across lower floors of the buildings with the rehab by RG and with its neighbor Community Healthcare. The proposed project would be 4-5 stories with 40-50 units.

Ground level uses will respond to the neighborhood needs – gathering places, food, music, financial services, education, health & fitness, retail, books bikes and perhaps a florist. Residential occupancy will fit the changing needs of the area – people working in the area. This would include units for low income persona and Market Rate units. This will be determined during the feasibility period.

Potential funding sources include New Market Tax Credits, Housing Trust Fund, THA loan, Local Funds and private debt.

RG and THA have separate schedules for their feasibility studies. The RG rehab timing includes:

**RG timing**

Site Control agreement	Aug. 31, 2013
Feasibility Study	February 2014
Design, estimates	February 2014
Financing	June 2014
Construction	June 2014 – January 2015

**THA Timing**

Site Control agreement	Aug. 31, 2013
Feasibility Study	February 2014
Predevelopment financing	August 2014
Design, estimates	May 2015
Construction/Perm Financing	May 2015
Construction	June 2015 – January 2017

The Development Agreements would include language that in the event that the feasibility studies indicate that the projects are not viable, the property would be returned to the City, or alternatively the City will retain ownership until we determine feasibility.

Staff and Kevin Grossman have recently begun meeting with Hilltop community representatives eliciting their views about this proposal.

**5.3 New Look Apartments/Alberta Canada Building Acquisition**

This 49-unit mixed-use senior housing tax credit project is at the intersection of MLK and 11<sup>th</sup> in the Hilltop. Tax credit investors represented by the National

Equity Fund (NEF) own 99% of the partnership that owns the property. Martin Luther King Housing Development Association (MLKHDA) owns 1% and is also the General Partner. MLKHDA is interested in selling its 1% ownership to THA.

In August, THA presented a purchase and sale agreement to MLKHDA for the purchase of the GP interest. Staff has learned from the MLKHDA's Executive Director that the Board of the MLKHDA has approved THA's purchase and sale proposal. In early March, staff received comments from MLKHDA on the proposed purchase agreement sent to the MLKHDA in August of last year. A representative for the MLKHDA that staff has met with has indicated that the MLKHDA is motivated and eager to sell its GP interest to THA.

*5.4 Dome District Feasibility Grant Opportunity*

In response to an invitation from Enterprise Community Partners, THA submitted and received \$50,000 to finance work needed to evaluate the feasibility of developing a mixed income and mixed use building on a site owned by Pierce Transit in the Dome District. Pierce Transit has agreed to partner with THA in the application and feasibility study should funds be awarded. Funds need to be expended by September. The grant contract was signed in mid-May and feasibility work commenced immediately.

*5.5 Multifamily Investment Opportunities*

Staff is tracking current multifamily listings and acquisition opportunities in the Tacoma area that meet the following investment goals: (1) minimal renovations and capital needs; (2) rapid resale potential; (3) reliable cash flows; (4) reliable short term return on investment. Other more specific investment criteria, communicated to staff by the Board's Development Committee, include: (1) 20 – 30 units, (2) \$50 - \$60,000 acquisition cost, and (3) suitable for a 3 – 6 year hold.

Properties that meet these goals might include HUD-assisted housing, housing located near other THA properties (offering management efficiencies), and market rate housing in strong market areas of the City (such as downtown and the Tacoma Mall area). This exercise will help THA determine an optimum real estate investment strategy. It should also inform THA's efforts to invest organizational reserve funds dedicated to real estate investments in its 2012 budget.

THA's real estate brokers are examining current listings and communicating with owners of non-listed properties that meet our buying criteria. THA's brokers have told staff that there have only been four multifamily sales in Pierce County so far in 2012, and that owners are more inclined to hold onto their properties in 2012 than they were in 2011.

## 6. M/WBE CONTRACT COMPLIANCE and SECTION 3 HIRING

6.1 As of April 30, 2013, 6 of 11 new hires at the Hillside Terrace Revitalization Project are Section 3 Hires. M/WBE, and Section 3 goals for said project are provided in Section 2.1.10 of this report.

## 7. PHAS INDICATOR FOR MODERNIZATION ACTIVITIES

The following are the schedules as of April 30, 2013 for THA's obligation and expenditure of the public housing capital funds it receives from HUD.

<u>Grant</u>	<u>Total Grant</u>	<u>Obligation Start Date</u>	<u>Obligated</u>	<u>% Obligated</u>	<u>Obligation Deadline</u>	<u>Expended</u>	<u>% Expended</u>	<u>Expended Deadline</u>
2008 CFP	\$1,849,412	6/13/08	\$1,849,412	100%	06/12/10	\$1,849,412	100%	06/12/12
2009 CFP	\$2,410,953	9/15/09	\$2,410,953	100%	9/14/11	\$2,410,953	100%	9/14/13
2009 CFP (1 <sup>st</sup> R)	\$703,863	9/15/09	\$703,863	100%	9/14/11	\$703,863	100%	9/14/13
2009 CFP (2 <sup>nd</sup> R)	\$54,932	9/15/09	\$54,932	100%	9/14/11	\$54,932	100%	9/14/13
2009 CFP (3 <sup>rd</sup> R)	\$2,724	4/2/10	\$2,724	100%	4/2/12	\$2,724	100%	4/2/14
2010 CFP	\$2,345,627	7/15/10	\$2,345,627	100%	7/14/12	\$1,201,815	51%	7/14/14
2010 CFP (1 <sup>st</sup> R)	\$1,216,978	7/15/10	\$1,216,978	100%	7/14/12	\$808,090	66%	7/14/14
2010 CFP (2 <sup>nd</sup> R)	\$219,721	7/15/10	\$219,721	100%	7/14/12	\$219,721	100%	7/14/14
2011 CFP	\$1,721,353	8/3/11	\$1,450,009	84%	8/2/13	\$52,611	3%	8/2/15
2011 CFP (1 <sup>st</sup> R)	\$736,455	8/3/11	\$443,660	60%	8/2/13	\$443,660	100%	8/2/15
2011 CFP (2 <sup>nd</sup> R)	\$549,895	8/3/11	\$0	0%	8/2/13	\$0	0%	8/2/15
CFCF**	\$1,881,652	8/3/11	\$1,845,702	98%	8/2/13	\$165,290	9%	8/2/15
2012 CFP	\$1,593,197	3/12/12	\$0	0%	3/11/14	\$0	0%	3/11/16
2012 CFP (1 <sup>st</sup> R)	\$1,026,290	3/12/12	\$441,922	43%	3/11/14	\$0	0%	3/11/16
2012 CFP (2 <sup>nd</sup> R)	\$128,701	3/12/12	\$0	0%	3/11/14	\$0	0%	3/11/16

\*\* Capital Fund Community Facilities Grant

# COMMUNITY SERVICES



# TACOMA HOUSING AUTHORITY

DATE: May 22, 2013

TO: THA Board of Commissioners

FROM: Nancy Vignec  
Community Services

RE: Monthly Board Report

## STRATEGIC OBJECTIVE: HOUSING AND SUPPORTIVE SERVICES

THA will provide high quality housing, rental assistance and supportive services. Its supportive services will help people succeed as tenants, parents, students, wage earners and builders of assets who can live without assistance. It will focus this assistance to meet the greatest need.

### 1. 2013 GOALS

Sixteen major funding sources support the Community Services department's staff and activities. Most of these sources identify performance measures and goals. This report groups the various funding sources' annual goals by service area.

#### 1.1 Employment

Activities	Apr. 2013	YTD 2013	Annual Goal	% of Goal
Clients referred for employment services	16	79	130	61%
Clients who received employment services	27	94	120	78%
Clients enrolled in employment readiness soft skills workshops	1	12	80	15%
Clients completed employment readiness soft skills workshops	1	6	50	12%
Enrolled in job readiness training	12	17	20	85%
Job placement	5	16	45	36%
WorkSource Participants Assisted	20	59	100	59%
Entered Apprenticeship	0	0	3	0%
Work Study/Community Jobs/Internships	0	1	30	3%
Earned Income Increased	10	27	35	77%

Average annual increase in earned income in 2012	\$2761.61
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## 1.2 Education

Activities	Apr. 2013	YTD 2013	Annual Goal	% of Goal
Participating in ESL classes	0	17	15	113%
Completes one or more ESL levels	0	1	5	20%
Adults enrolled in education program	15	15	10	150%
Adults complete education program	3	3	25	12%
Participants attending GED classes	12	75	200	38%
Completes one or more GED tests	0	4	25	16%
Attains GED	2	8	15	53%
FAFSA applications completed	0	0	10	0%

## 1.3 Families in Transition (FIT)

The Community Service Department's FIT program is funded by Washington Families Fund and Sound Families grants. FIT caseworkers help participants succeed as tenants, parents and wage earners. FIT participants are homeless at the time they are admitted into the program and placed in housing at Salishan or Hillside Terrace. In order to be admitted to the program, applicants must agree to participate in FIT case management.

	WFF/Sound Families		Hillside Terrace		Tax Credit	
Total Current Caseload	16		2		3	
	Apr. 2013	YTD 2013	Apr. 2013	YTD 2013	Apr. 2013	YTD 2013
Entrances	2	5	0	2	0	0
Graduations	0	0	0	0	0	1
Exits	0	0	0	0	0	0
Terminations	0	2	0	0	0	0

## 1.4 Case Staffing

Case staffing is short-term, intensive intervention with households in danger of failing as tenants. Case staffing focuses on helping the family regain housing stability and avert eviction through compliance with their lease. Property management identifies families for case staffing. It is typically limited to 90 days.

Activities	Apr. 2013	YTD 2013	Annual Goal 2013
Number of households referred for services	1	2	26
Number of successful completions (eviction averted)	0	0	12
Number terminated	0	0	n/a

### 1.5 MTW Hardship Exemption Casework

In January 2012, THA began Moving to Work rent calculations and biennial recertification cycles for all MTW households. THA anticipated that some households would be unable to pay their new rent and that up to 120 households would qualify for a hardship exemption. The exemption will allow the household up to six months to increase their income and pay the rent amount determined by MTW. In order for a household to qualify for a hardship, they must agree to participate in case management. A household can be terminated from hardship case management for failure to participate. If a hardship exemption household is terminated from case management, CS staff notifies the appropriate REMHS staff. REMHS staff then terminates the exemption and the household is required to pay the full rent amount determined by MTW.

Activities	Apr. 2013	YTD 2013	Annual Goal 2013
Number of households referred for services	2	3	10
Number of successful completions	0	0	8
Number terminated	0	0	n/a

### 1.6 Preparing for Success

Preparing for Success is funded by a three-year grant from The Paul G. Allen Family Foundation. Case management focuses on helping clients overcome barriers to employment readiness. We have begun enrolling the third cohort in this program. We expect the second cohort to complete the program by June 2013.

Activities	Apr. 2013	YTD 2013	Annual Goal	% of Goal
Second year cohort 2012 completed	3	6	15	40%
Third year cohort 2013 enrolled	4	16	25	64%
Third year cohort 2013 completed	0	0	15	0%

### 1.7 Family Self-Sufficiency Program

The THA Family Self-Sufficiency (FSS) program is a five year employment and savings incentive program funded by HUD and the City of Tacoma.

Status	Apr. 2013	YTD 2013	Annual Goal	% of Goal
Current Participants	102	110	153	72%
Graduates	0	4	17	23%
Removed/Voluntarily Withdrawn	1	5	n/a	n/a
New Contracts Signed	9	14	55	9%
Escrow Balance	\$149,380.24			

### 1.8 Life Skills and Parenting Classes

THA contracts with Bates Technical College to provide Life Skills classes and parenting support for Families in Transition participants. The second session of Parenting class ended in June. The next Life Skills class will start in May 2013.

Activities	Apr. 2013	YTD 2013	Annual Goal	% of Goal
Life Skills Enrollment	0	8	20	40%
Life Skills Completion	0	3	10	30%
Parenting Enrollment	16	32	75	43%
Parenting Completion	7	7	65	11%

### 1.9 Senior and Disabled Services

A Senior and Disabled Services Program Specialist has been hired and will start May 6, 2013.

Activities	Apr. 2013	YTD 2013	Annual Goal	% of Goal
Unduplicated client contacts	0	75	260	29%
Referrals	0	6	50	12%
Unduplicated situation/wellness counseling	0	13	140	9%
Assistance with correspondence for Entitlement Programs	0	2	40	5%

### 1.10 McCarver Special Housing Program

THA's McCarver Elementary School Housing Program seeks to stabilize McCarver Elementary, a low-income school in Tacoma's Hilltop neighborhood. As of January 2013, 50 McCarver families are enrolled in the Program. Rental subsidies for participating families will decrease to zero over the five year McCarver project period. Each year, all families will pay an additional 20% of their rent and THA will subsidize the balance. Participating families receive intensive case management services and assistance to help the parents improve their education and employment prospects.

Currently 100% of Program families are able to pay the required 20% of the rent.

Activities	Apr. 2013	YTD 2013	Annual Goal	% of Goal
Families participating	50	50	50	100%
Families able to pay 20% of their rent (50 of 50)	50	50	50	100%
Families able to pay 40% or their rent (43 of 50)	0	0	43	0%
Average school attendance rate	94%	94%	93%	101%
Reduction in referrals for discipline*	n/a	n/a	25%	n/a
% students increase scores on district reading test (K-5)	22%	22%	20%	110%
% students increase scores on district math test (K-5)**	n/a	n/a	20%	n/a
Average increase in state reading test (Gr. 3-5)	24%	24%	20%	120%
Increase in average state math test (Gr. 3-5)	-16%	-16%	18%	-89%

\*We are working with the school district to establish a procedure to get discipline data from their new data system.

\*\* We have not received the math data from the school district.

Activities	Baseline 2010-2011	2011-2012
Turnover rate at McCarver Elementary	107%	96.6%
Turnover among Program students	n/a	4.5%
Turnover among other McCarver students	n/a	114.2%

### 1.11 Asset Building

The department provides pre-purchase counseling, 1<sup>st</sup> time homebuyer seminars, post-purchase counseling, financial literacy workshops, credit counseling, and individual development accounts to help THA clients build assets and prepare to become successful homeowners, business owners or to change careers and further their education.

#### 2012 VITA Tax Season at THA

THA's VITA Site served a total of 213 clients this tax season. Out of the 213 clients, THA's volunteers were able to assist 192 clients with successfully filing their tax returns. There was a total of \$358,908.00 in refunds issued and a total of \$153,441.00 in earned income tax credit received. THA was able to save all clients served \$35,605 in tax preparation fees. Overall, THA had a successful 2012 VITA Tax Season.

Activities	Apr. 2013	YTD 2013	Annual Goal	% of Goal
Financial Education Enrollment	17	49	80	61%
Financial Education Completion	13	40	40	100%
Homebuyers Education Referral	1	1	50	2%
Credit Counseling Enrollment	0	0	15	0%
Credit Counseling Completion	0	0	5	0%
Homeownership Pre-Purchase Counseling	0	1	10	10%
Homeownership Post-Purchase Counseling	3	15	30	50%
Individual Development Account Participants Enrolled	7	7	11	64%
Individual Development Account Counseling (other than homeownership)	4	7	28	25%
Qualified Withdrawals	2	2	7	29%
Home Purchase	0	0	4	0%
Other Asset Purchases	2	2	3	67%
VITA Tax Returns for THA clients	0	33	40	83%
EITC Received (PH only)	0	11	20	55%
Tax Returns for all clients served at VITA Site	16	192	200	96%

This spring we will begin a new matched savings program for McCarver Program participants. We are developing the participation guidelines and securing a bank to accept the deposits. We currently have \$3,000 in matching funds.

Activities	Apr. 2013	YTD 2013	Annual Goal	% of Goal
McCarver Match Savings Participants Enrolled	0	0	13	0%
McCarver Qualified Withdrawals	0	0	3	0%

### 1.12 Computer Labs

THA has computer labs at Bergerson Terrace, Dixon Village, and Hillside Terrace. The AmeriCorps members assigned to the computer labs are responsible for outreach and computer lab programming. Each lab has scheduled times for adult activities and for youth activities including resume writing, research, and homework assistance.

On April 11, 15 Bergerson Terrace residents attended a movie night, with snacks, put on by Dina Brown, our AmeriCorps volunteer. They watched “Wreck it Ralph” and other movies voted on by the children who use the lab.

Activities	Apr. 2013	YTD 2013	Annual Goal	% of Goal
Computer Lab Participation (cumulative visits)	41	178	1200	15%

### 1.13 Youth Activities

Write@253 began their second year of youth tutoring in Salishan in January. The program will continue through the end of the school year.

Our two AmeriCorps volunteers have expanded their tutoring service to our students by working with them at the neighborhood schools in addition to the computer labs. Courtney Lawson is at McCarver Elementary, and Dina Brown is at Grey Middle School.

Activities	Apr. 2013	YTD 2013	Annual Goal	% of Goal
Youth tutoring	20	59	10	590%
Summer youth programming	0	0	40	0%
Youth leadership mentoring	16	16	45	36%

## **2. FREE LUNCH AND LEARNING THIS SUMMER**



Even after school is out the fun and learning don't stop! THA, the Salishan Community Association, and St. Leo's Food Connection will host our third annual *Brown Bags and Books* free lunch program for children again this summer in Salishan. The program will run all summer vacation, from June 17 to August 30. This program included a nutritious brown bag lunch and an afternoon snack provided by St. Leo's, fun activities provided by community partners such as Tacoma Public Library and the YMCA. Write@253, which provides after school writing help for students during the school year at the Family Investment Center, will provide free academic tutoring two days a week. Special events will be added through the summer.

The free lunch program will also be at Hillside Terrace and Bergerson Terrace in the community rooms. The computer labs will be open during the lunch program hours.

## **3. MCCARVER PARTNERSHIP WINS VISION 2040 AWARD**

On April 25, THA and Tacoma Public Schools were awarded the prestigious Vision 2040 award from the Puget Sound Regional Council. Here's a picture of THA Executive Director Michael Mirra and TPS Elementary Director Patrick Johnson.

# HUMAN RESOURCES



# TACOMA HOUSING AUTHORITY

DATE: May 22, 2013

TO: THA Board of Commissioners

FROM: Barbara Tanbara  
Human Resources Director

RE: Human Resources Board Report

## 1. COMPENSATION

### **2013 OPEIU and Non-Represented Employee Variable Pay Program**

Our new Variable Pay Program has been in place for four months and 17 of our employees have received either a lump sum Special Recognition award for outstanding achievement on a project or a merit increase tied to their annual evaluation results. The HR dept is tracking all the results and spending. The Compensation Committee reviews all nominations to ensure they comply with the guidelines for implementation. We look forward to assessing the effectiveness of this program and to improving it as we learn what works best for our supervisors and employees.

## 2. EMPLOYEE RELATIONS

### **2.1 2013 Employee Opinion Survey**

In March, Washington Employers, our Employee Opinion Survey vendor sent out our 2013 Employee Opinion Survey. We are using the same survey we have used for the past two surveys in 2010 and 2011. We conduct the surveys every 18 months.

We had excellent participation in the survey, over 90% of our employees responded. The Executive Team is scheduled to receive the results at our Cabinet meeting next Friday. After that, we will conduct focus groups to target areas of concern and then publish the overall results soon after. I will share the results in my next report.

### **2.2 Human Rights Complaints**

For CY 2013, we had no City of Tacoma Human Rights or EEOC complaints and no lawsuits.

## 3. LABOR RELATIONS

### **3.1 Collective Bargaining**

In June, we will begin negotiations with the Trades Council for a wage and benefit contract opener.

### **3.2 Grievances**

We have had no grievances thus far in 2013. We settled one lingering grievance in January.

#### **4. STAFFING**

##### **4.1 Executive Recruitment**

I will be working hard with Michael, the Cabinet members, and Development staff to recruit a top notch Director of Real Estate Development to THA. I have sent out an RFP for recruitment firms to assist us and we are busy reviewing the critical competencies we need in our new Director. I am confident that we will be able to strengthen THA with a successful new hire.

##### **4.2 Agency Turnover**

Our 2013 turnover is trending at 10.4%. Of those that left through April, one retired, one moved to the East Coast and two found new positions. As the economy continues to improve, we find that employees are looking for positions that are nearer their home, pay more money and are in areas of specialization that an agency our size does not offer.

We are planning to use the results of our new Employee Opinion Survey and the upcoming Focus Groups to address turnover. We will be able to identify what THA is doing well (so we can continue doing it!) and where we can improve.

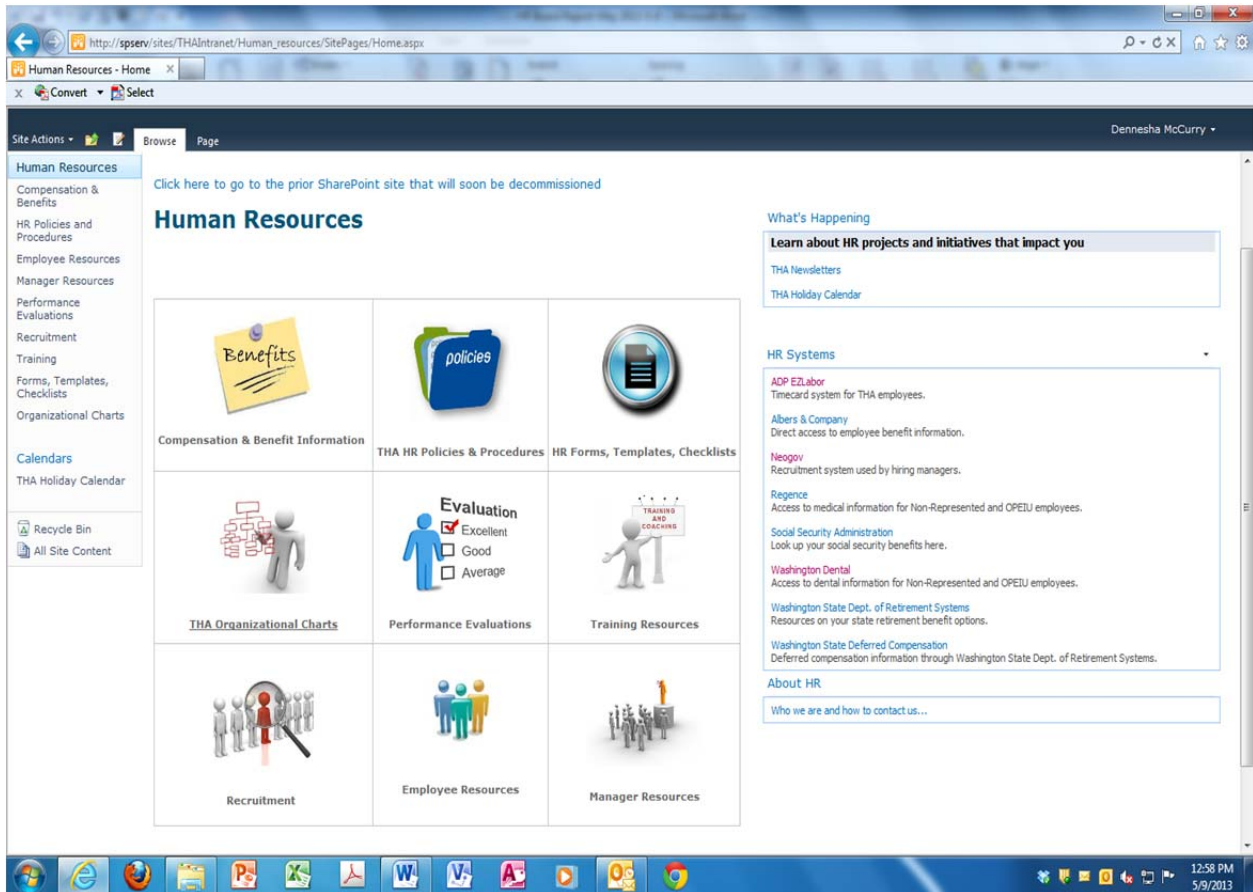
#### **5. HR DEPARTMENT ADMINISTRATION**

The HR department was excited to roll out our New SharePoint page to employees at the All-Staff Retreat. We have been able to simplify access to information about benefits, leave, compensation, workers comp forms, policies and contracts. In addition, we have added Checklists for employees and their supervisors so that they understand what their responsibility is in HR processes.

I give all the credit for this work to Kate O'Farrell, our HR Analyst. Kate was able to build the SharePoint page herself; not an easy task. However our IT department was really busy with their own projects, so Kate decided to take this on. She also created the Checklists and Q & A documents to help employees access the HR information they need. Kate was gracious enough to volunteer to present the material at the All-Staff Retreat as I was recovering from shoulder surgery.

We are excited to expand the information on the page so that our employees will find it useful and easy to access. Plus, as we are able to improve the access that employees need, it will lessen our paper shuffling and free up our department to do more proactive and important activities.

May 2013 Board of Commissioners Meeting  
HUMAN RESOURCES DEPARTMENT MONTHLY REPORT  
Page 3



# THA Recruitment-Turnover Report 2013

\*data reflects regular employees only

	Jan	Feb	March	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec	2013	2012
<b>Total # Employees</b>	115	115	115	115	115	115	115	115	115	115	115	115	115	110
Voluntary Separation	0	1	1	1	0	0	0	0	0	0	0	0	3	8
Involuntary Separation	0	0	0	0	0	0	0	0	0	0	0	0	0	5
Retirement	0	1	0	0	0	0	0	0	0	0	0	0	1	1
Lay-Off's	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Separations</b>	0	2	1	1	0	0	0	0	0	0	0	0	12	14
<b>2013 Turnover Rate w/out Lay-off's</b>	<b>0.0%</b>	<b>1.7%</b>	<b>0.9%</b>	<b>0.9%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>10.4%</b>	<b>12.7%</b>
2012 Turnover Rate w/out Lay-off's	0.9%	0.0%	1.8%	1.9%	0.0%	0.9%	2.7%	1.8%	0.9%	0.0%	1.8%	0.0%	12.80%	
	0	0	0	0	0	0	0	0	0	0	0	0	0	
<b>Hires/Promotions</b>													<b>YTD</b>	
New or Different Positions	0	0	0	0	1	0	0	0	0	0	0	0	1	
Replacement due to Separation	0	0	0	1	0	0	0	0	0	0	0	0	1	
Replacement due to Promotion/ Transfer	0	0	0	0	0	0	0	0	0	0	0	0	0	
Sunset Positions	0	0	0	0	0	0	0	0	0	0	0	0	0	
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	
2012	3	0	4	1	1	2	3	2	3	0	3	4	26	

**NEW BUSINESS**

## RESOLUTION #1



# TACOMA HOUSING AUTHORITY

## RESOLUTION 2013-5-22 (1)

DATE: May 22, 2013  
TO: Board of Commissioners  
FROM: Michael Mirra, Executive Director  
RE: Amendment to Contract for Legal Services

### **Background**

On February 24, 2011 a contract was signed between Tacoma Housing Authority (THA) and Glogowski Law Firm, LLC for legal services. The original Contract was executed for \$100,000. Subsequent amendments have been executed adding additional scopes of work, implementing escalation fees as permitted during the procurement process, and extending the term of the contract.

This resolution will give the THA Executive Director authorization to sign Amendment No. 3, which will extend the contract for one year and increase the contract amount an additional \$125,000 for a total of \$225,000.

### **Recommendation**

Approve Resolution 2013-5-22 (1) authorizing the Executive Director to amend the existing Legal Services contract to increase the contract value to \$225,000 and extend the contract term to February 11, 2014.

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# TACOMA HOUSING AUTHORITY

## RESOLUTION 2013-5-22 (1)

### Amendment to Contract for Legal Services

**WHEREAS,** Tacoma Housing Authority procured for legal services in January 18, 2011;

**WHEREAS,** The contracts were signed in February 11, 2011 and was for a duration of one (1) years with an option for three (3) one year extensions;

**WHEREAS,** The current contract term with Glogowski Law Firm, LLC has expired and THA is exercising its option to extend the contract one additional year, making the new expiration date of February 11, 2014;

**WHEREAS,** The current contract with Glogowski Law Firm, LLC cannot exceed \$100,000;

**WHEREAS,** The accumulative budget from services rendered are exceeding the \$100,000 limit authorized by the Executive Director;

**WHEREAS,** Current and future legal services are and will be required by the Housing Authority for matters related to THA properties, and

**WHEREAS,** The amended contracts will be for Glogowski Law Firm, LLC Not-to-Exceed \$225,000.00;

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

1. The Executive Director be authorized to amend the existing Legal Services contract to increase the contract value to \$225,000 and extend the contract term to February 11, 2014.

**Approved:** May 22, 2013

\_\_\_\_\_  
Janis Flauding, Chair

## RESOLUTION #2



# TACOMA HOUSING AUTHORITY

## RESOLUTION 2013-5-22 (2)

DATE: May 22, 2013  
TO: Board of Commissioners  
FROM: Michael Mirra, Executive Director  
RE: Pierce County Special Program Housing Contract—Rapid Rehousing for Homeless Families with Children

### **Background**

THA's 2012 Moving to Work Plan included an activity to allow THA to develop a regional approach for administering its special purpose housing programs. Under this activity:

*THA would be allowed to use the competitive funding process established by the local government jurisdiction (Pierce County Consortium) to award THA funds/resources for sponsor based housing. THA would commit MTW dollars and or housing units to be awarded through the locally established funding cycle. This would allow THA to "pool" resources with the local jurisdiction to meet the local needs as prioritized through city and or county planning process. THA would ensure that grantees serve households below 80% AMI and would establish mandatory reporting and audit guidelines to monitor the success of the program. THA would have an audit system in place to ensure compliance with rules and regulations including PIH Notice 2011-45.*

This resolution will allow THA to use this MTW flexibility to contract with Pierce County's Community Connections division. This contract will serve homeless households with children through the county's rapid rehousing program. This program will provide short term rental assistance. It will provide an increasing amount of funds for this purpose starting with \$80,000 for 2013 and increasing year to year to \$ 1million 2017 and remaining at that level for 2018, the last year of the contract. The initial \$80,000 will serve at least 19 households.. Funding provided by THA is not intended to provide long-term support, nor will it be able to address all of the financial and supportive service needs of individuals and families. Supportive services to address other needs, as well as administration costs, will use funds from other City, County, State and Federal sources. All THA funds will be used for rental assistance.

The Board will remember that this contract is important to our effort to make THA's resources accessible to a growing and worrisome population of homeless families with children our City.

The money for 2013 for this contract is included in the REMHS Rental Assistance HAP budget line item. Future years will be funded through this same budget or through MTW reserves. The

contract does allow for termination if our funding for the contract either is eliminated, reduced, or used up.

### **Terms**

The initial contract will be June 1, 2013 through December 31, 2018.

THA's maximum payment to Pierce County for all services and reimbursable expenses, if any, shall not exceed:

- \$80,000 for calendar year (CY) 2013.
- \$400,000 for CY 2014
- \$650,000 for CY 2015
- \$900,000 for CY 2016
- \$1,000,000 for CY 2017
- \$1,000,000 for CY 2018

Under the terms of the contract, short term rental assistance will be valued at an average of \$600 per month per household for up to 24 months.

### **Reporting Requirements and Evaluation**

Pierce County, through its subcontracted service providers, will be required to report on a quarterly basis on the following metrics:

- The number of households served
- Monthly subsidy paid on behalf of each household
- Length of time each household spends on the program
- In-kind value of casework provided
- Each household's income at entry to program
- Each household's income at exit from program
- Change in household income
- Change in household earned income
- Each household's housing stability 3, 6 and 12 months after exit from the program
- Number of households transitioning to another rent subsidy program upon exit

THA will aggregate this data and include it in its MTW Annual report.

### **Recommendation**

I recommend approving Resolution 2013-5-22 (2) authorizing the Executive Director to execute a contract with Pierce County for the purpose of providing rental assistance to homeless families with children as part of Pierce County's rapid re-housing program.



# TACOMA HOUSING AUTHORITY

## RESOLUTION 2013-5-22 (2)

### PIERCE COUNTY SPECIAL PROGRAM HOUSING CONTRACT—RAPID REHOUSING

**WHEREAS**, Tacoma Housing Authority (THA) has an approved Moving to Work (MTW) activity allowing it to use a regional approach for administering its special purpose housing programs;

**WHEREAS**, Pierce County has been selected to oversee some of THA's special programs, to select qualified service providers to administer the programs, and to comply with all State and Federal regulations connected with THA's Moving to Work funds;

**WHEREAS**, Pierce County has conducted a competitive process and selected qualified service providers to administer these funds for rental assistance for homeless unaccompanied youth and young adults;

**WHEREAS**, this contract will have a term of June 1, 2013 through December 31, 2018;

**WHEREAS**, the contract amount exceeds the \$100,000 spending limit for the Executive Director.

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

The executive director is authorized and directed to execute a contract with Pierce County in the amount of \$80,000 for calendar year (CY) 2013; \$400,000 for CY 2014; \$650,000 for CY 2015; \$900,000 for CY 2016; \$1,000,000 for CY 2017; \$1,000,000 for CY 2018 for the purpose of providing rental assistance to homeless families with children as part of Pierce County's rapid-rehousing program.

**Approved:** May 22, 2013

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Janis Flauding, Chair

RESOLUTION #3  
This is a walk on Resolution



# TACOMA HOUSING AUTHORITY

## RESOLUTION 2013-5-22(3)

**Date:** May 22, 2013  
**To:** THA Board of Commissioners  
**From:** Michael Mirra  
Executive Director  
**Re:** New Look Purchase and Sale Agreement

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### **Background**

This resolution would authorize the executive director to negotiate and sign an agreement to purchase the Martin Luther King Housing Development Authority's (MLKHDA) 1% managing member interest in the New Look Apartments. We would do this only if we could at the same time negotiate (i) the terms to later purchase the 99% interest of the tax credit investors, the National Equity Fund (NEF) and (ii) the terms of a renegotiated loan on the building from WCRA, the permanent lender. With this purchase THA would become the managing member. The board has discussed this possibility intermittently for over a year.

The New Look Apartments is at the corner of MLK and 11<sup>th</sup> Street on the Hilltop. It is a 49-unit mixed-use senior housing tax credit project. MLKHDA is interested in selling its 1% ownership to THA. THA has already conducted much of the due diligence needed. The main remaining due diligence item we need to do is deconstructive testing to determine the extent of water damage to the envelope of the building. THA had contracted with Tatley Grund to do this work last summer. However, MLKHDA declined to give access to THA to do this work preferring instead to wait for a signed purchase and sale agreement. Attached you will find a draft purchase and sale agreement that staff has been working on with its attorney as well as with MLKHDA's representative. Staff believes this is close to final form.

Once a PSA is negotiated between THA and MLKHDA, THA will finish its due diligence work and begin to negotiate with NEF and WCRA. There are several items THA would like to change in the Operating Agreement with NEF. During early discussions, NEF seemed interested and willing to negotiate changes to the Operating Agreement. THA has also been communicating with WCRA who holds the mortgage on the property. In order to make the property more financially sustainable, THA would like to renegotiate the interest rate on the loan.

Prior to closing on this transaction, staff will bring the form of final documents to the Board for its approval.

### **Recommendation**

Approve Resolution 2013-5-22(3) authorizing the Executive Director to (i) negotiate, and if those negotiations are successful, to execute the Purchase and Sale Agreement with the Martin Luther King Housing Development Authority to purchase the managing member interest of the New Look; (ii) negotiate a revised Operating Agreement with the National Equity Fund; and (iii) negotiate the terms of the permanent loan with the WCRA or other lender if WCRA cannot provide the terms needed to enhance the financial viability of the project.



# TACOMA HOUSING AUTHORITY

## **RESOLUTION 2013-5-22(3)** **New Look Purchase and Sale Agreement**

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

**Whereas,** the Housing Authority of the City of Tacoma (the “Authority”) seeks to encourage the provision of long-term housing for low-income persons residing within the City of Tacoma, Washington (the “City”).

**Whereas,** the Authority is authorized by the Housing Authorities Law (chapter 35.82 RCW) to, among other things: (i) “prepare, carry out, acquire, lease and operate housing projects; to provide for the construction, reconstruction, improvement, alteration or repair of any housing project or any part thereof” (RCW 35.82.070(2)); (ii) “lease or rent any dwellings . . . buildings, structures or facilities embraced in any housing project” (RCW 35.82.070(5)); (iii) “make and execute contracts and other instruments, including but not limited to partnership agreements” (RCW 35.82.070(1)); (iv) “delegate to one or more of its agents or employees such powers or duties as [the Authority] may deem proper” (RCW 35.82.040); and (v) “make . . . loans for the . . . acquisition, construction, reconstruction, rehabilitation, improvement, leasing, or refinancing of land, buildings, or developments for housing persons of low income.”

**Whereas,** the phrase “housing project” is defined by RCW 35.82.020 to include, among other things, “any work or undertaking . . . to provide decent, safe and sanitary urban or rural dwellings, apartments, mobile home parks or other living accommodations for persons of low income.”

**Whereas,** THA legal counsel has drafted a Purchase and Sale Agreement, which has been reviewed by THA staff;

**Whereas,** The Executive Director and the Board of Commissioners find the terms of the Purchase and Sale Agreement acceptable to THA;

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

1. The Executive Director has the authority to negotiate, and if those negotiations are successful, to execute a Purchase and Sale Agreement with the Martin Luther King Housing Development Authority (MLKHDA), in substantially the same form as attached.
2. The Executive Director has the authority to negotiate a revised Operating Agreement with the National Equity Fund;
3. The Executive Director has the authority to negotiate the terms of the permanent

loan with the WCRA or other lender if WCRA cannot provide the terms needed to enhance the financial viability of the project.

5. Acting Officers Authorized. The proper officers of the Authority are and are hereby authorized, empowered, and directed to take such further action on behalf of the Authority as they deem necessary to effectuate the foregoing sections of this resolution. Any action required by this resolution to be taken by the Executive Director of the Authority may in his absence be taken by the duly authorized acting Executive Director of the Authority.

**Approved: May 22, 2013**

\_\_\_\_\_  
Janis Flauding, Chair

## MANAGING MEMBER INTEREST PURCHASE AND SALE AGREEMENT (MLK New Look, LLC)

This Managing Member Interest Purchase and Sale Agreement (this “**Agreement**”), dated as of May \_\_, 2013, (the “**Effective Date**”) is made by and among Martin Luther King Housing Development Association, a Washington nonprofit corporation (“**Seller**”), Housing Authority of the City of Tacoma, a public body corporate and politic of the State of Washington, and/or its Permitted Assigns (defined below) (collectively, “**Buyer**”).

In consideration of the payment of the Purchase Price (defined below) and the performance of the covenants in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the parties hereto, intending to be legally bound, agree as follows:

### 1. **Defined Terms.**

The defined terms used in this Agreement shall have the meanings specified below.

“*Amendments to Operating Agreement*” means the amendments to the Operating Agreement to be negotiated by the parties prior to Close of Escrow.

“*Affiliate*” means, when used with reference to a specified Person, any Person that, directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with the specified Person.

“*Assignment*” means any assignment, transfer or sale, and the words “*assign*,” “*assignee*” and “*assignor*” shall have correlative meanings, except in each case where the sense of this Agreement requires a different construction.

“*Assignment and Assumption of Managing Member Interests*” means the Assignment by Seller of all right, title and interests in and to the Interests, in the form attached as **Exhibit A** hereto.

“*Business Day*” means any day of the week other than a Saturday, Sunday or a legal holiday in the State.

“*Buyer’s Closing Conditions*” means, collectively, the conditions set forth in Section 8(B) below.

“*Buyer’s Deliverables*” means, collectively, the documents and items set forth in Section 10(D) below, and the Seller’s Proceeds.

“*Capital Contribution*” means the total amount of cash contributed by each Member in the Company as shown in the Operating Agreement, including a Capital Contribution previously made by any preceding Member in respect to the Company interest of each such Member.

“Certificate” means the certificate of formation of the Company, which certificate shall be amended at Close of Escrow to reflect the admission of Buyer as the new Managing Member of the Company and the withdrawal from the Company of the applicable Managing Member.

“Close of Escrow” means the delivery by the Escrow Agent of the Seller’s Deliverables to the Buyer, and the Buyer’s Deliverables to the Seller, and the payment of the Seller’s Proceeds to Seller, as set forth in Section 10(B) below.

“Closing Conditions” means, collectively, the Buyer’s Closing Conditions and the Seller’s Closing Conditions.

“Closing Date” means a date, determined by Buyer and agreed to by Seller, which is within 30 days of receipt of the Transaction Consents.

“Closing Statement” means the closing statement referenced in Section 10(A) below, consistent with the terms of this Agreement and in a form mutually agreeable to Buyer and Seller, with a schedule thereto itemizing, as the case may be, any income and expenses for the Company allocated to or paid by Seller between the Effective Date and the Closing Date.

“Company” means MLK New Look, LLC, a Washington limited liability company.

“Credit Agency” means the Washington State Housing Finance Commission.

“Developer Services Agreement” means that certain Developer Services Agreement dated as of June 20, 2000, among the Company and the Seller, as amended to date.

“Deferred Developer Fee” means the fee and reimbursement amount described in, and subject to, the Developer Services Agreement.

“Deposit” means the amount set forth in Section 4 below, and accrued interest thereon.

“Effective Date” means the date of this Agreement.

“Escrow Agent” means [Chicago Title Insurance Company], whose address is [4717 South 19<sup>th</sup> Street, Tacoma, Washington 98405].

“Extended Use Agreement” means the agreement entered into between the Credit Agency and the Company respecting long-term use restrictions and satisfying all of the requirements of Section 42(h)(6) of the Internal Revenue Code.

“Feasibility Period” means the period commencing on the date that Buyer receives (i) a fully executed copy of this Agreement, (ii) Seller’s Due Diligence Materials, and (iii) the Transaction Consents, and terminating at 5:00 p.m. Pacific Time on the 90th day thereafter.

“Fiscal Year” means, with respect to the Company or other entity described herein, the yearly accounting period for such entity.

“Governmental Agency” means, as applicable, the Credit Agency and any other governmental agencies, instrumentalities, bodies, boards, departments and officers and individuals acting in any official capacity on behalf thereof having jurisdiction over the Company or the Project.

“Interests” means, collectively, 100% of the interests of the Managing Member and any Affiliates thereof in and to all distributions, capital, profits and losses, tax credits, Company funds and accounts, and otherwise in and to the Company, including but not limited to all allocations and distributions, all management, voting and other rights under the organizational and operational agreements, and all rights to any receivables and accrued fees which are not paid at closing or pursuant to prorations under Section 11(B) hereof, including but not limited to receivables and accrued fees payable to the Managing Member and its Affiliates pursuant to the Developer Services Agreement (*i.e.* the Deferred Developer Fee), real property service agreements, company service agreements, property or asset management service agreements, real estate brokerage agreements, member loans, credit adjustment notes, and any other such receivables. Such interest shall include any rights of the Managing Member or any Affiliate in any successor entity formed pursuant to the Operating Agreement.

“Laws” means all codes, statutes, case law, rules, regulations, pronouncements, requirements, orders, directives, decisions, decrees, judgments and formal or informal guidance or interpretations of any court or Governmental Agency.

“Lender” means the lender for any Mortgage Loan encumbering the Project.

“Investor Member” means any or all of those Persons designated as a Investor Member in the Operating Agreement, in each such Person’s capacity as a Investor Member of the Company.

“Investor Member Estoppels” means the estoppels to be negotiated by the parties to this Agreement that shall be executed by each Investor Member of the Company in favor of the Buyer.

“Management Agent” means the Housing Authority of the City of Tacoma, the property management company to be engaged by the Company for the Project as the management agent at Close of Escrow.

“Management Agreement” means, with respect to the Project, the management contract by and between the Company and the Management Agent executed as of the Closing Date.

“Managing Member” means Martin Luther King Housing Development Association, a Washington nonprofit corporation.

“Material Adverse Change” means a change directly or indirectly caused by an act or omission of Seller following the Effective Date which has materially diminished the economic value of the Interests.

“Mortgage Loan” means any permanent loan or any construction loan encumbering the Project.

“Mortgage Loan Documents” means, with respect to the Project, the promissory note from the Company to a Lender and related documents, as the same may have been amended, evidencing a Mortgage Loan, which Mortgage Loan Documents are listed in **Exhibit B** attached hereto.

“Net Cash Flow” has the meaning ascribed to such phrase in the existing Operating Agreement.

“Operating Expenses” means all the costs and expenses of any type incurred incidental to the ownership and operation of the Project, including, without limitation, taxes, capital improvements reasonably deemed necessary by the Managing Member and not funded out of any reserves for such, and the cost of operations, debt service, maintenance and repairs, and the funding of any reserves required to be maintained by any Lender or Governmental Agency or pursuant to the Operating Agreement, but shall not include, to the extent applicable, distributions to Members pursuant to the Operating Agreement.

“Owner’s Title Policy” means the existing owner’s title insurance policy issued by \_\_\_\_\_ (Policy No. \_\_\_\_\_) in favor of the Company for the Project.

“Member” means any Managing Member or any Investor Member.

“Member Consents” means the advance written consent of all Members (including, without implied limitation, all Investor Members) who have the right to approve or disapprove the Transaction, or any aspect thereof.

“Operating Agreement” means, that certain “First Amended and Restated Operating Agreement of MLK New Look Limited Liability Company,” as amended to date. A list of the documents comprising the Operating Agreement and the Certificate are set forth in **Exhibit C** attached hereto.

“Permitted Assign(s)” means any general partnership, limited partnership, limited liability company, corporation, joint venture, and the successors and assigns of such Person, as may be applicable, to which Buyer assigns its interest in this Agreement on or before Closing pursuant to the provisions of Section 15(I) below.

“Person(s)” means any individual or any general partnership, limited partnership, limited liability company or partnership, corporation, joint venture, trust, business trust, cooperative or association, and the heirs, executors, administrators, legal representatives, successors and assigns of such Person as may be applicable.

“Pro Forma Statements” means the *pro forma* financial statements for the Company, which Pro Forma Statements show all of the Company’s assets and liabilities, income and expenses (or projections thereof) for the past twelve months and which Pro Forma Statements are updated and delivered to Buyer pursuant to Section 6 hereof.

“Project” means the 49-unit multi-family apartment complex located at 1102 South 11<sup>th</sup> Street in Tacoma, Washington, and the associated commercial parking lot, at 1109 South 11<sup>th</sup> Street in Tacoma, Washington (parcel # 2010230050), variously known as MLK New Look

Senior Housing, the Alberta Canada Building, and New Look Apartments, which has been developed, owned and operated as a project intended to generate low-income housing tax credits under Section 42 of the Internal Revenue Code, as amended. The legal description of the land upon which the Project is located shall be as set forth in the Owner's Title Policy.

"Project Documents" means, collectively, the Operating Agreement, the Mortgage Loan Documents, the Extended Use Agreement, any Regulatory Agreement, the Management Agreement and all other documents relating to the Company or the Project which are required by, or have been executed in connection with, any of the foregoing documents

"Purchase Price" means the price set forth in Section 3 below.

"Regulatory Agreement" means any regulatory agreements, affordability restrictions, restrictive covenants or other similar documents entered into between or by the Company and/or for the benefit of any Lender or Governmental Agency with respect to the Project, as amended from time to time.

"Seller's Closing Conditions" means the conditions set forth in Section 8(A) below.

"Seller's Deliverables" means, collectively, the documents and items referenced in Section 10(E) below.

"Seller's Due Diligence Materials" means, collectively, all material delivered to Buyer under Section 6(A) below.

"Seller's Proceeds" means the amount of cash equal to the Purchase Price minus the (i) Deposit and (ii) Additional Deposit, subject to applicable prorations, credits and other adjustments in escrow in accordance with this Agreement.

"State" means the State of Washington.

"Transaction" means the transfer of the Interests contemplated by this Agreement.

"Transaction Consents" means the advance written consent of all Persons (including, without implied limitation, all Investor Members, all Lenders, Governmental Agencies and the Credit Agency) who have the right to approve or disapprove the Transaction, or any aspect thereof.

## **2. Agreement to Sell and Purchase the Interests.**

Buyer agrees to purchase from Seller, and Seller agrees to sell to Buyer, the Interests, subject to the terms and conditions in this Agreement.

## **3. Purchase Price.**

The purchase price to be paid by Buyer for the Interests is \_\_\_\_\_ Hundred Thousand and No/100 Dollars (\$\_\_\_\_\_).

#### **4. Deposit.**

(A) Delivery. No later than the third business day following Buyer's receipt of a fully executed copy of this Agreement, Buyer shall deliver to Escrow Agent the sum of Five Thousand and No/100 Dollars (\$5,000) which Deposit shall be security for the performance of Buyer's obligations under this Agreement. Upon expiration of the Feasibility Period, Buyer shall deposit an additional sum of Five Thousand and No/100 Dollars (\$5,000) with Escrow Agent ("**Additional Deposit**"). The Deposit and the Additional Deposit and all other money to be delivered by Buyer under this Agreement shall be delivered by wire transfer. At Closing, the Deposit and Additional Deposit shall be applied to the Purchase Price.

(B) Interest. The Deposit and Additional Deposit and all other funds received from or for the account of Buyer under this Agreement shall be deposited by the Escrow Agent in an interest-bearing account with a federally insured state or national bank. All interest accrued on the Deposit and the Additional Deposit shall become part of same, and shall be reported to the Internal Revenue Service and to any state taxing authority (if applicable), as income of the party ultimately entitled to the Deposit and/or Additional Deposit. Seller and Buyer, as appropriate, shall promptly execute all forms reasonably required by the other party to effectuate the intent of this Section 4(B), including Form W-9 published by the Internal Revenue Service.

(C) Refundability. Upon the expiration of the Feasibility Period, the Deposit and the Additional Deposit shall be non-refundable to Buyer, except in the event this Agreement terminates as a result of a failure of any of Buyer's conditions to the Close of Escrow as set forth in Section 8(B), in which case the Deposit and Additional Deposit shall be refunded to Buyer in full.

#### **5. Representations and Warranties.**

(A) Seller's Representations and Warranties. Seller represents and warrants to Buyer that, as of the Effective Date and as of the Closing Date:

(1) The Company is a limited liability company duly formed and validly existing under the laws of the State, is qualified to do business in the State, and is fully authorized to own and operate the Project in the manner in which the Project is currently operated. The Managing Member is a nonprofit corporation duly organized and validly existing under the laws of the State, and is qualified to do business in the State.

(2) Seller has (a) the power to enter into this Agreement, to perform its obligations under this Agreement and to complete the Transaction as contemplated by this Agreement, (b) exclusive, good and marketable title to the Interests, and (c) taken all action necessary (including obtaining any requisite consents of its investors) to authorize the execution and delivery of this Agreement, and, subject to the terms and conditions of this Agreement, the performance by each of its obligations under this Agreement and the completion of the Transaction as contemplated by this Agreement.

(3) The Company has exclusive, good and marketable title to the Project, subject only to the exceptions and encumbrances described in the Owner's Title Policy.

(4) To Seller's knowledge, there are no conditions related to the Project (including without limitation any physical condition), the Company, or the Interests that have not already been disclosed to Buyer that could materially and adversely affect Buyer's rights and obligations under the Project Documents or the Company's use of the Project as a multifamily, residential low-income housing tax credit community under Section 42 of the Internal Revenue Code.

(5) Other than as provided for in the Operating Agreement, there are no liens, charges, security interests or encumbrances of any nature whatsoever affecting any portion of the Interests.

(6) The execution and delivery of this Agreement by Seller and the performance by Seller of its obligations under this Agreement and (provided that the Transaction Consents contemplated by this Agreement are obtained) the completion of the Transaction as contemplated by this Agreement will not result in: (a) a breach of, or a default under, any contract or instrument to which Seller is party or by which Seller or the Interests is bound, or (b) a violation of any Law of any Governmental Agency applicable to Seller or any judgment, order or decree of any court or Governmental Agency that is binding on Seller.

(7) Other than as outlined in *Exhibit D*, there is no action, suit, proceeding, inquiry or investigation pending or, to the best of Seller's knowledge, threatened by or before any court or Governmental Agency (a) against the Interests, Company, any Member, or the Project, or (b) that would prevent the performance by Seller of its obligations under this Agreement or the completion of the Transaction as contemplated by this Agreement. Seller shall provide a written indemnification for the benefit of Buyer for all matters listed in *Exhibit D* in a form acceptable to the parties hereto.

(8) To Seller's knowledge, there is no existing violation of federal state or local law related to the Project, including but not limited to zoning laws, health and safety codes and violations of the Americans with Disabilities Act (ADA) or other accessibility requirements.

(9) To Seller's knowledge, the Project does not contain Hazardous Materials. The Company has not used the Project (or allowed the Project to be used) in any manner for the storage, discharge, deposit or dumping of, Hazardous Materials, whether in the soil, ground water or otherwise (and no Hazardous Materials from any such activities have migrated from the Project to other properties), except for *de minimis* amounts of what otherwise could constitute Hazardous Materials to the extent that the same are or have been used in the ordinary course of business and in compliance with applicable laws. "**Hazardous Materials**" is defined as (a) oil, flammable substances, explosives, radioactive

materials, radon, hazardous wastes or substances, toxic wastes or substances or any other materials or pollutants that pose a hazard to the Project or to persons on or about the Project or cause the Project to be in violation of any local, state or federal law or regulation, or are defined as or included in the definition of “hazardous substances,” “hazardous wastes,” “hazardous materials,” or “toxic substances” or words of similar import under any applicable local, state or federal law or under the regulations adopted or publications promulgated pursuant thereto, including, but not limited to, (1) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. § 9601, *et seq.*; (2) the Hazardous Materials Transportation Act, as amended, 49 U.S.C. § 1801, *et seq.*; (3) the Resource Conservation and Recovery Act, as amended, 42 U.S.C. § 6901, *et seq.*; and in the regulations adopted and publications promulgated pursuant to said laws; (b) asbestos in any form that is or could become friable, urea formaldehyde foam insulation, transformers or other equipment that contain dielectric fluid containing polychlorinated biphenyls; (c) mold, or excessive moisture; (d) radon; and (e) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or that may or could pose a hazard to the health and safety of the occupants of the Project or the owners and/or occupants of properties adjacent to or surrounding the Project.” To Seller’s knowledge, the Project does not presently contain underground tanks of any kind and there are no surface or subsurface conditions on the properties or underlying the Project that constitute, or with the passage of time may constitute, a public or private nuisance.

(10) In connection with the sale of the Interests, Seller has not retained, dealt with or incurred any obligation to any broker other than to Johnson Commercial Real Estate.

(11) The Project is in compliance under Section 42 of the Internal Revenue Code, the Regulatory Agreements and the Extended Use Agreement, and there are no material compliance issues outstanding and no event has occurred or condition exists that with the giving of notice or passage of time would constitute a default under same. The Company has timely filed with Governmental Agencies (including the Credit Agency) all compliance reports and certifications and there are no unresolved compliance audit matters for the Project.

(12) As of Closing, there will be no members of the Company other than the Investor Member and Buyer, as Managing Member. No Member (nor any other Person) has any rights of first offer or rights of first refusal to acquire or finance the Project, Interests, or Company. In addition, there are no loans from the Company to any Member and no loans from a Member to the Company, except as otherwise specifically disclosed to Buyer in writing. All Capital Contributions have been made by the Members in the Company, there are no outstanding deferred development costs (other than the unpaid Deferred Developer Fee specified in Section 5(A)(21)), and no tax credit adjustment amounts are due to any Person under the Project Documents. There are no claims

by Members against the Company for any amounts due including any outstanding or accrued asset or company management fees (or similar fees) to any Member.

(13) **Exhibit B** is a true, complete and correct list of all loan documents (including the Mortgage Loan Documents and all amendments thereto) entered into by the Company and true, complete and correct copies of such loan documents have previously been delivered to Buyer. There has been no alleged default by the Company under any such loan documents. All operating reserve and replacement reserve accounts for the Project are fully funded in accordance with all applicable loan documents and all tenant security deposit liability is fully funded for the Project.

(14) A true, complete and correct list of all insurance policies under which the Project is insured has been delivered to Buyer. All such insurance policies are in full force and effect, and the Seller has received no notice that such insurance will be cancelled, will not be renewed, or coverages limited. The said insurance is in full compliance with the insurance requirements of the existing loans.

(15) All federal, state and local tax returns required to be filed by or with respect to the Company have been filed on a timely basis with the appropriate Governmental Agencies; all due and payable federal, state and local taxes of all kinds, including without limitation property, excise, withholding and other taxes and any interest or penalties thereon have been paid; and there are no levies, liens or other encumbrances (nor any planned public improvements that would result in the imposition of same) listed, or to the Seller's best knowledge, threatened, with respect to any asset of the Company relating to any taxes described herein above.

(16) The Company has no material assets other than the Project and cash in the Company accounts. True, correct, and complete financial information for the Company, subject to any qualifications set forth in such information, including a list of all Company bank accounts, has been delivered to Buyer. The Company has engaged in no business other than the operation of the Project. Except for the payables of the Company and Project indicated on **Exhibit E** hereto, all payables of the Company and Project are not more than 30 days old. At Closing, the Seller shall cause the Company to bring substantially all payables within thirty (30) days, but in any event, the dollar amount of any and all payables more than thirty (30) days old shall not exceed Five Thousand and No/100 Dollars (\$5,000) at Closing. Any and all prorations of Net Cash Flow between the Buyer and the Seller shall be calculated pursuant to Section 11(B) hereof.

(17) The Company does not have, and has never had, any employees.

(18) Neither the Company nor the Managing Member has (a) made a general assignment for the benefit of creditors, (b) filed any voluntary petition in bankruptcy or suffered the filing of an involuntary petition by creditors, (c)

suffered the appointment of a receiver to take possession of all, or substantially all, of its assets, (d) suffered the attachment or other judicial seizure of all, or substantially all, of its assets, (e) admitted in writing an inability to pay debts as they come due or (f) made an offer of settlement, extension or composition to creditors generally under applicable loan documents.

(19) True, complete and correct copies of the Operating Agreement and all amendments thereto governing the Company and true, complete and correct copies of the Certificate have previously been delivered to Buyer and each of such documents is described in *Exhibit C* hereto. There are no defaults or alleged defaults by the Company or any of the Members under any such documents.

(20) A true, complete and correct copy of the Developer Services Agreement, and all amendments thereto have been provided to Buyer and there are no defaults or alleged defaults by any of the parties (or their assigns) to such Developer Services Agreement. As of the Effective Date, the outstanding Deferred Developer Fee is \$ \_\_\_\_\_. Seller shall assign all of its rights to receive the Deferred Developer Fee to the Buyer (or its designee) on the Closing Date (and before Buyer is admitted as a Member). From and after Closing, no party other than the Buyer shall have any right in or claim to amounts due, if any, under the Developer Services Agreement.

(21) Neither the Company, the Managing Member nor, to Seller's knowledge, the Investor Member, has provided any Person with an option or a right of first refusal to purchase the Project or such Member's interests in the Company.

(B) **Buyer's Representations and Warranties.** Buyer represents and warrants to Seller that, as of the Effective Date and as of the Closing Date:

(1) Buyer is a duly organized and validly existing a public body corporate and politic of the State; provided, if Buyer assigns this Agreement to Tacoma Housing Development Group ("**THDG**") pursuant to Section 15(I), then Buyer will be a duly incorporated and validly existing Washington nonprofit corporation as of Closing.

(2) Buyer has the corporate power to enter into this Agreement, to perform the obligations under this Agreement and to complete the Transaction as contemplated by this Agreement. Buyer has taken all corporate action necessary to authorize the execution and delivery of this Agreement, and, subject to the terms and conditions of this Agreement, the performance by Buyer of its obligations under this Agreement and the completion of the Transaction as contemplated by this Agreement.

(3) The execution and delivery of this Agreement by Buyer and the performance by Buyer of its obligations under this Agreement and the completion of the Transaction as contemplated by this Agreement will not result in (a) a

breach of, or a default under, any contract, agreement, commitment or other document or instrument to which Buyer is party or by which Buyer is bound, or (b) a violation of any Law of any Governmental Agency applicable to Buyer or any judgment, order or decree of any court or Governmental Agency that is binding on Buyer.

(4) There is no action, suit, proceeding, inquiry or investigation (including any bankruptcy or other debtor relief proceeding), pending or threatened against Buyer by or before any court or Governmental Agency that would prevent or hinder the performance by Buyer of its obligations under this Agreement or the completion of the Transaction as contemplated by this Agreement.

(5) In connection with the sale of the Interests, Buyer has not retained or incurred any obligation to any broker, and has not dealt with any broker.

(6) Buyer shall from and after the Closing Date, cause the Company to maintain the Project as affordable and keep the Project in compliance under the Regulatory Agreements and the Extended Use Agreement so as not to cause any tax penalties and costs of a tax credit recapture.

(C) Disclaimer of Warranties. Except for the representations and warranties in this Agreement and any other documents and instruments entered into pursuant to this Agreement, Seller disclaims all warranties or representations of any kind or character, express, implied, statutory or otherwise (including warranties or merchantability and warranties of fitness for use or acceptability for the purpose intended by Buyer) with respect to the Interests. Buyer acknowledges that, except for the representations and warranties made by Seller in this Agreement and any other documents and instruments entered into pursuant to this Agreement, Buyer has not relied upon and will not rely upon, either directly or indirectly, any statement of Seller or any of its Affiliates or any officer, director, trustee, agent, employee or other person acting or purporting to act on behalf of Seller or any of its Affiliates. Buyer acknowledges that it has conducted or will conduct such investigations as to the Interests and all matters bearing upon the Interests as it deems necessary to protect such person's interests. Except for the representations and warranties in this Agreement and any other documents and instruments entered into pursuant to this Agreement, Buyer is acquiring the Interests "as is" and "where is" and with all faults, defects or other adverse matters. Buyer acknowledges and agrees that the disclaimers and waivers set forth in this Section 5(C) are an integral part of this Agreement and that Seller would not have agreed to complete the transaction on the terms provided in this Agreement without the disclaimers and waivers set forth in this Section 5(C).

(D) Seller's Limited Indemnity for Tax Credit Compliance Prior to Closing. Seller hereby agrees to indemnify, defend and hold Buyer, and Buyer's owners, members and constituent entities harmless from and against all claims, losses, damages, liabilities, or expenses, including attorneys' fees and costs ("Liabilities") arising from conditions existing at the Project or with respect to the Company prior to the Closing Date including but not limited to: (i) the failure of the Managing Member or the Company to comply with the tax credit compliance requirements pursuant to Section 42 of the Internal Revenue Code applicable to the

Project; and/or (ii) a claim of or action by any prior Managing Member of the Company, against the Company and/or Buyer; and/or (iii) the failure of the Managing Member or the Company to comply with the Project Documents. Liabilities shall include, without limitation, the loss of any tax credits or the recapture thereof, interest, penalties and income tax payable as a result thereof (and all other amounts due tax credit investor under the Operating Agreement), and reasonable accountant and legal fees and other reasonable costs actually incurred contesting or challenging the tax credits or enforcing in good faith the provisions of this Section 5(D) and any claims in connection with the Buyer becoming the replacement Managing Member. The indemnification by Seller set forth in this Section 5(D) shall not be subject to the twenty-four (24) month survival period set forth in Section 5(E) below, but shall instead continue for so long as Buyer holds an interest in the Company. No contest of any claims shall be made or costs incurred prior to notice being given to Seller and Seller having been given a reasonable opportunity to resolve or cure any alleged claims. The provisions of this Section 5(D) shall survive the Close of Escrow. Seller agrees to provide the financial statements of Seller to Buyer.

(E) Survival of Seller's Representations and Warranties and Indemnities. Subject to the limitations set forth in this Section 5(E) and in Section 5(D), Seller hereby agrees to defend, protect, indemnify, and hold Buyer harmless from any and all Liabilities Buyer may suffer as a result of any breach of or any inaccuracy of the representations and warranties set forth in Section 5(A), beyond any applicable notice and cure period in Section 12(A). Notwithstanding the foregoing, Seller's representations and warranties set forth in Section 5(A) shall expire twenty-four (24) months from the Closing Date.

(F) Buyer's Indemnity for Tax Credit Compliance After Closing. Buyer hereby agrees to indemnify, defend and hold Seller and Seller's owners, members and constituent entities harmless from and against all Liabilities first arising, and conditions first existing, at the Project after the Closing Date, including but not limited to: (i) the failure of the Company to comply with the tax credit compliance requirements pursuant to Section 42 of the Internal Revenue Code applicable to the Project; and/or (ii) the failure of the Buyer or the Company to comply with the Regulatory Agreements and the Extended Use Agreement, from and after the Closing Date (but only to the extent such noncompliance did not commence prior to the Closing Date). Liabilities shall include, without limitation, the loss of any tax credits or the recapture thereof, interest, penalties and income tax payable as a result thereof (and all other amounts due the Investor Member under the Operating Agreement), and reasonable accountant and legal fees and other reasonable costs actually incurred contesting or challenging the tax credits or enforcing in good faith the provisions of this Section 5(F). The provisions of this Section 5(F) shall survive the Close of Escrow. Buyer agrees to provide its financial statements to Seller within three (3) days of the Effective Date.

(G) Limitation on Buyer and Seller Indemnities. Notwithstanding anything to the contrary set forth herein, no party shall be required to indemnify for any Liabilities to the extent caused by the negligence, intentional misconduct, or breach by the party seeking indemnification.

## 6. Feasibility.

(A) Due Diligence Materials. Seller shall deliver to Buyer (or shall make available to Buyer at the Project site where indicated below) within five (5) days of execution of this Agreement true and complete copies of the following due diligence materials:

- (1) the Project Documents;
- (2) the Developer Services Agreement;
- (3) any applicable option and/or right of first refusal agreements;
- (4) the latest rent roll for the Project (which rent roll shall be updated monthly by the twentieth (20<sup>th</sup>) day of each month throughout the term of this Agreement;
- (5) the audited financial statements (past three years) and Pro Forma Statements for the Project (which Pro Forma Statements shall be updated monthly and delivered by the twentieth (20<sup>th</sup>) day of each month throughout the term of this Agreement;
- (6) the current tax returns of the Company (past three years);
- (7) the Owner's Title Policy for the Project and copies of all exception documents referenced therein and a copy of the existing survey for the Project;
- (8) the tenant files, tenant leases and commercial leases (make available to Buyer at the Project site), including all of the tenant files from the initial; lease-up of the Project's units;
- (9) the most recent capital expenditure reports for the Project;
- (10) the existing service contracts, equipment leases and unexpired warranties for the Project;
- (11) all annual program reports and audits from for the Credit Agency (including the annual certifications required by Section 6.6 of the Extended Use Agreement), together with follow-up correspondence and close-out letters, as well as all IRS 8823 forms issued to the Company and corresponding follow-up letters;
- (12) tax credit applications and reservations documents (including carryover allocation documentation, where applicable);
- (13) all IRS Forms 8609 (and any amendments thereto) for the Project, together with evidence of the amount of "Actual Credits" (as defined in the existing Operating Agreement);

(14) certificates of occupancy, business licenses and permits, O&M plans and building plans and specifications (make available to Buyer at the Project site);

(15) copies of existing property and liability insurance policies and three (3) year loss runs;

(16) environmental, asbestos, soil, physical and engineering reports and appraisals; and

(17) utility bills (gas, electric, water and sewer) and tax bills and assessment notices (including evidence of any tax abatement/exemptions) for the past year, as well as current year-to-date.

To the extent there are any material changes to the information contained in due diligence materials previously delivered to Buyer or to the extent that, during the ninety (90) day Feasibility Period, Buyer determines that the due diligence materials received from Seller are incomplete, Seller shall within three (3) days deliver any such new, updated or supplementary due diligence materials to Buyer and the Feasibility Period shall be extended by fifteen (15) calendar days, but in no event beyond the one hundred-fifth (105<sup>th</sup>) day following the commencement of the Feasibility Period. At any time prior to the Close of Escrow, Seller shall promptly deliver to Buyer, any additional due diligence materials related to the Interests which are obtained or received by Seller.

(B) Feasibility Period Investigations/Approvals.

(1) Seller shall have thirty (30) days from the Effective Date to obtain the approval of all Investor Members ("**Investor Approval Period**") of the Company to: (i) this Agreement and the transactions contemplated hereby, (ii) the Amendments to the Operating Agreement, (iii) the Investor Member Estoppels, and (iv) the release of Seller and Seller Affiliates from all liabilities associated with the Company and the Project from the Closing Date forward. Seller shall use commercially reasonable efforts to obtain the approval of the Investor Member within the Investor Approval Period. In the event Seller fails to obtain the approval of same within the Investor Approval Period, either party may terminate this Agreement and the full amount of the Deposit (and the Additional Deposit if applicable) shall be refunded to Buyer in full. Seller and Buyer hereby agree that the Investor Approval Period may be extended by Seller and Buyer agreeing on a number of days for extension thereof. The parties hereby agree that the consent of the Investor Member shall be obtained prior to the application to any Lenders of the Project for their consent to the Transaction.

(2) Buyer shall have until the expiration of the Feasibility Period to investigate the Interests and review any third party reports or deliverables in connection therewith and determine if it wishes to proceed with the Transaction.

(3) Buyer and its representatives and consultants may visit the Project upon reasonable advance notice to Seller (which shall be no less than 48 hours) to

make such inspections, and conduct such testing, regarding the Project as Buyer reasonably deems necessary or desirable. Seller may be present at such inspections if Seller so desires, but Seller's availability shall not delay Buyer's scheduling of such inspections. All Buyer inspections shall be done in a manner to avoid interference with the tenants of the Project as much as possible. Buyer shall indemnify, defend and hold harmless Seller against any claim arising out of activities conducted at the Project by Buyer and its representatives, consultants and contractors and related damage, liability, obligation, claim, suit, cause of action, judgment, settlement, penalty, fine or cost or expense (including reasonable fees and disbursements of attorneys and other professionals and court costs); provided, however, that Buyer shall not be liable for the mere discovery of pre-existing conditions at the Project. If the results of any of Buyer's investigations trigger a reporting requirement to a Governmental Agency pursuant to applicable law, then prior to any such reporting, Buyer shall give advance notice to Seller and Seller shall determine, in its sole discretion, whether to send any information to the Credit Agency. Buyer shall not send any information regarding the Project to the Credit Agency. The provisions of this Section 6(B)(3) shall survive the termination of this Agreement, or the Close of Escrow, as applicable. This provision shall not affect the obligation of Seller to provide written permission to the Credit Agency permitting the Credit Agency to disclose to Buyer any and all matters related to compliance under Section 42 on the Project and Buyer's correspondence with the Credit Agency regarding same.

(4) Buyer may terminate its obligation to complete the Transaction at any time during the Feasibility Period if Buyer, in its sole discretion, is not satisfied with the Interests, the Company or the Project or any matter relating to the Interests, the Company or the Project. Buyer may exercise its right under this Section 6(B)(4) to terminate the Transaction at any time during the Feasibility Period by delivering written notice to Seller and Escrow Agent, in which event the Deposit and the Additional Deposit shall be refunded in full to Buyer (provided that Buyer has delivered the Deposit and Additional Deposit to Escrow Agent). If Buyer elects to complete the Transaction, Buyer shall deliver notice to Seller on or before the expiration date of the Feasibility Period making such election, and the Deposit and Additional Deposit shall thereupon become nonrefundable as provided in Section 4 above, subject only to the terms and conditions set forth in Section 4(C) above. If Buyer does not deliver notice to Seller on or before the expiration date of the Feasibility Period electing to complete the Transaction, Buyer shall be deemed to have elected to terminate the Transaction, in which event the Deposit and the Additional Deposit shall be refunded in full to Buyer (provided that Buyer has delivered the Deposit and Additional Deposit to Escrow Agent).

(5) Buyer agrees to provide all information reasonably requested by Lenders, the Investor Member and the Credit Agency in order for such entities to analyze and review the proposed transfer of Interests, to the extent such information is within Buyer's possession.

## **7. Transaction Consents.**

Seller shall be responsible for obtaining the Transaction Consents. Each party shall timely copy the other party on all written communiqués and correspondence to or from that party related to the Transaction Consents (other than communiqués and correspondence solely between a party and that party's attorneys and consultants), keeping the other party apprised of the status of the Transaction Consents, including any issues as they arise and shall provide a copy of the final Transaction Consents to the other party upon request for same. Buyer agrees to cooperate with Lenders' requests to provide certain non-recourse carve-outs and indemnifications to Lenders that are presently being provided by Seller, so long as such carve-outs and indemnities are reasonable and are limited to events occurring and conditions arising from and after Closing. If applicable, upon obtaining the last Transaction Consent, Seller shall promptly notify Buyer in writing of Seller's receipt of all of the Transaction Consents, time being of the essence. It is the parties' intent that all Transaction Consents shall be obtained within thirty (30) days after the Effective Date.

## **8. Conditions to Close of Escrow.**

(A) Seller's Conditions to Close of Escrow. Seller's obligation to close the Transaction shall be contingent upon the satisfaction of all of the following conditions for its benefit on or before the Closing Date:

(1) There having been no Material Adverse Change with respect to the Buyer between the Effective Date and the Closing Date; and,

(2) Buyer is not in material default hereunder beyond any applicable notice and cure period pursuant to Section 12(A) below and has performed all of its covenants in this Agreement required to be performed by Buyer on or before the Closing Date; and,

(3) Seller and each of its Affiliates shall have been released by all Lenders and Investor Member from all liability arising from and after the Closing under any guaranties, indemnities or similar agreements relating to the Project.

(B) Buyer's Conditions to Close of Escrow. The Buyer's obligation to close the Transaction shall be contingent upon the satisfaction of all of the following conditions for its benefit on or before the Closing Date:

(1) Buyer shall be satisfied, in its sole and absolute discretion, with the results of its inspections during the Feasibility Period and shall have elected to complete the Transaction pursuant to Section 6(B)(4) above;

(2) There having been no Material Adverse Change with respect to the Project, the Company, the Interests or the Seller between the Effective Date and the Closing Date, including, without limitation, any material change to the finances of the Company from such finances as set forth under the Pro Forma Statements or Seller's financial statements provided to Buyer;

(3) Seller is not in material default hereunder beyond any applicable notice and cure period pursuant to Section 12(A) below and has performed all of its covenants in this Agreement required to be performed by Seller on or before the Closing Date;

(4) The Seller shall have obtained final and fully executed Transaction Consents, subject to the provisions of Section 7 above;

(5) There is no Material Adverse Change to the condition of title of the Project from that which is shown in the Owner's Title Policy and the Title Endorsements (defined below); and

(6) The representations and warranties provided by Seller in Section 5 hereof are true and correct in all material respects.

(C) Waiver of Non-Satisfaction of Condition. Either Buyer or Seller may waive in writing the non-satisfaction of a condition which benefits it, or may terminate this Agreement on account thereof.

## 9. Title.

(A) Title Endorsements. Buyer shall request within five (5) business days of execution of this Agreement, proforma (1) title update (*i.e.*, "date down"), (2) non-imputation, and (3) "fairways" title endorsements to the Owner's Title Policy for the Project and underlying exception documentation therefor (collectively, the "**Title Endorsements**"), to be delivered as soon as reasonably possible following Buyer's request. Seller agrees to execute such affidavits as are required by the title company which issued the Owner's Title Policy in the standard form given to title companies to issue the Title Endorsements (or shall execute such affidavits for the benefit of Buyer in lieu thereof, if such title endorsement is unavailable in the State).

(B) Title Review Period. Within fifteen (15) business days after receipt of the Owner's Title Policy and proforma Title Endorsements for the Project, Buyer shall deliver a Notice to Seller ("**Buyer's Title Notice**") of those title exceptions which are not approved by Buyer ("**Unpermitted Exceptions**").

(C) Title Remedy Period. Seller shall have fifteen (15) business days after receipt of Buyer's Title Notice to either (i) have the Unpermitted Exceptions removed from the Title Endorsements or (ii) obtain a commitment from the title insurer to "insure over" the Unpermitted Exceptions or (iii) commit to "bond over" the Unpermitted Exceptions. If Seller is unable or unwilling to remove the Unpermitted Exceptions, then Seller shall so notify Buyer ("**Seller's Title Notice**").

(D) Buyer's Right to Terminate. Upon receipt of a Seller's Title Notice, Buyer can either waive the Unpermitted Exceptions, and all such approved and/or waived exceptions shall become "**Permitted Exceptions**" and proceed to Closing or, upon written notice to Seller within fifteen (15) business days after receipt of Seller's Title Notice, terminate this Agreement. In the event that Buyer terminates this Agreement, the Deposit (and Additional

Deposit if applicable) plus all interest accrued thereon shall be returned to the Buyer and except as specifically provided for elsewhere in this Agreement, neither party shall have any further obligation or liability hereunder.

(E) Cost of Endorsements. On the Closing Date, the Title Endorsements shall be issued to Buyer, the cost of which shall be paid by Buyer.

## **10. Close of Escrow.**

(A) Closing Date. Subject to the notice and cure provisions in Section 12(A) below and the extension provisions in Section 7 and Section 8(B) above, the Close of Escrow will take place by five o'clock (5 p.m.) Pacific Time on the Closing Date at a place designated in writing by Buyer and Seller, or in lieu of an in-person meeting, pursuant to written escrow closing instructions consistent with this Agreement, customarily used in similar transactions, and mutually agreeable to Seller, Buyer and the Escrow Agent and signed by them or their respective counsel in advance of the Closing Date.

(B) Close of Escrow. Subject to the provisions of Section 7 and Section 8(B) above, Escrow Agent will close the escrow on the Closing Date if all of the Closing Conditions have been satisfied (or any unsatisfied Closing Condition has been waived in writing by the party who is the direct beneficiary of the waived condition pursuant to the terms and conditions of Section 8(C) above), including, without implied limitation, the delivery to the Escrow Agent of, respectively, the Buyer's Deliverables and the Seller's Deliverables, by (a) delivering to the State of Washington Secretary of State for filing the Certificate (or to a company located in the State charged with the responsibility to file immediate upon notice that Close of Escrow has occurred); (b) delivering, as applicable, two (2) counterparts of the Seller's Deliverables to Buyer and of the Buyer's Deliverables to Seller; (c) delivering the Deposit and Additional Deposit held by Escrow Agent and the Seller's Proceeds to Seller; and (d) taking such further actions pursuant to this Agreement as may be required by the written escrow closing instructions.

(C) Delivery of Balance of Purchase Price. Prior to the Closing Date, Buyer shall deposit the Seller's Proceeds into escrow, and notify Seller of such deposit. At the Close of Escrow, Escrow Agent shall deliver Seller's Proceeds, the Deposit and the Additional Deposit to Seller.

(D) Delivery of Buyer's Deliverables. Prior to Close of Escrow, Buyer shall deposit with the Escrow Agent the following items, duly executed and acknowledged in five (5) counterparts, as applicable:

- (1) such documents as Escrow Agent may reasonably require to establish the authority of Buyer to complete the Transaction;
- (2) the Assignment and Assumption of Managing Member Interests in the Company in the form attached hereto as ***Exhibit A***;
- (3) an amendment to the Certificate in a form agreeable to both parties;

(4) a certificate reaffirming the representations and warranties set forth in Section 5(B) and the indemnification set forth in Section 5(F) above without material change; and

(5) the Closing Statement.

(E) Delivery of Seller's Deliverables. Prior to Close of Escrow, Seller shall deposit with Escrow Agent the following items, duly executed and acknowledged, in five (5) counterparts, as applicable:

(1) such documents as Escrow Agent may reasonably require to establish the authority of Seller to complete the Transaction;

(2) the Assignment and Assumption of Managing Member Interests for the Company in the form attached hereto as ***Exhibit A***;

(3) an amendment to the Certificate in a form agreeable to both parties;

(4) a certificate as to the accuracy and completeness of the current rent roll and Pro Forma Statements for the Project as of the Closing Date;

(5) a certificate reaffirming the representations and warranties set forth in Section 5(A) and the indemnification set forth in Sections 5(D) and 5(E) above without material change;

(6) written approval by all Investor Members to the Transaction and executed Investor Member Estoppels and Amendments to Operating Agreement;

(7) assignments to Buyer of rights to receive the Deferred Developer Fee from all Persons owed any portion of the Deferred Developer Fee;

(8) written evidence that the Company Administration Agreement between the Company and the Managing Member has been terminated and, as of the Closing Date, the Company has no obligation to pay any amounts thereunder;

(9) a right of first refusal executed by the Company and the Investor Member in substantially the form attached hereto as ***Exhibit F***;

(10) the Closing Statement; and

(11) such owner's affidavits, indemnities and other documents as the Escrow Agent may require in order for the Escrow Agent to be irrevocably committed to issue the Title Endorsements at Closing with respect to the Owner's Title Policy for the Project and to affirmatively insure over or unconditionally remove all exceptions to title, except for the Permitted Exceptions.

## **11. Closing Costs, Prorations.**

(A) Closing Costs. Seller shall pay one-half of any escrow fee or recording fees charged by the Escrow Agent, any fees and costs of Johnson Commercial Real Estate, any fees and costs to obtain the Transaction Consents, and all transfer or excise taxes associated with the transaction. Buyer shall pay one-half of any escrow fee or recording fees charged by the Escrow Agent, the costs of its due diligence, and the costs for Title Endorsements (or any reinsurance). Buyer and Seller shall each pay its own attorneys' fees, including but not limited to their respective legal fees in connection with obtaining the Transaction Consents.

(B) Prorations. Seller shall be entitled to Net Cash Flow payable to the Managing Member under the Operating Agreement, to the extent available, up to the Closing Date and Buyer shall be entitled to Net Cash Flow payable to the Managing Member on and after such Closing Date, with calculations of Net Cash Flow based on all operating expenses and liabilities of the Company that are outstanding as of such Closing Date being paid current as of the Closing Date (regardless of the aging status or actual payment by Company of such expenses or liabilities). To the extent reasonably requested by Buyer or Seller on or before the Close of Escrow, certain prorations may be completed at the end of the month in which the Closing Date occurs and allocated between Buyer and Seller based upon the number of days in such month so as to facilitate the accurate and timely accounting for such amounts and to eliminate timing differences in recognition of income and expenses. Within 30 days after the Close of Escrow, Seller and Buyer shall determine Net Cash Flow payable to the Managing Member and the Investor Member, to the extent available, in accordance with this provision. To the extent there is any casualty to the Project or condemnation of all or any portion of the Project during the period from the Effective Date to the Closing Date, any insurance or condemnation proceeds shall be handled in the manner set forth in the Mortgage Loan Documents and the Operating Agreement. The parties hereto agree that cash distributions to any Member in connection with this Section 11(B) are subject to and may be made by the Company only at such time as is permitted under the applicable Operating Agreement provision for cash distributions. Buyer agrees to cause the Company to request permission from the Investor Member to allow cash distributions within three (3) business days after the determination of Net Cash Flow is made.

## **12. Remedies.**

(A) Notice and Cure Period. Neither party shall be in material default hereunder unless such party (i) has first received a notice from the party claiming the material default specifying it in reasonable detail and (ii) if such material default exists, has not cured the material default within ten (10) business days from its receipt of the said notice. Either party shall have the right to satisfy its or the other party's respective Closing Conditions within the foregoing cure periods. The parties hereby acknowledge that neither the Seller nor the Buyer shall be deemed in default under this Agreement due to the failure of any necessary Member Consent or Transaction Consent to be obtained.

(B) Seller's Remedies. If Buyer is in material default beyond any applicable notice and cure period and Buyer's Closing Conditions in Section 8(B) have been satisfied, then Seller (provided that Seller is not then in default under this Agreement) shall be entitled, as its

sole and exclusive remedy, to terminate this Agreement by written notice thereof given to Escrow Agent and Buyer and recover the Deposit and Additional Deposit as liquidated damages and not as penalty, in full satisfaction of claims against Buyer hereunder. Seller and Buyer agree that Seller's damages resulting from Buyer's material default are difficult, if not impossible, to determine and that the Deposit (and the Additional Deposit, if applicable) is a fair estimate of those damages which has been hereby expressly agreed to in an effort to cause the amount of such damages to be certain.

(C) Buyer's Remedies. If Seller is in material default beyond any applicable notice and cure period and Seller's Closing Conditions in Section 8(A) have been satisfied, then Buyer (provided that Buyer is not then in default under this Agreement), may (a) terminate its obligation to complete the Transaction, in which case Buyer shall recover the Deposit and the Additional Deposit, or (b) enforce specific performance of Seller's obligation to sell the Interests pursuant to this Agreement, or (c) seek damages in a judicial proceeding.

(D) Cumulative Remedies. Except as otherwise specifically provided in this Agreement, all remedies provided for in this Agreement or available as a matter of Law (whether at Law, in equity, by statute or otherwise) are cumulative and may be exercised concurrently or consecutively, in such order as a party may elect. Limitations on remedies apply only to the obligations specifically referenced to be limited. Limitations on remedies set forth in this Section 12 shall apply only with respect to obligations arising or required to be performed prior to or on the Close of Escrow, and Buyer and Seller reserve all available remedies at law or in equity with respect to obligations and liabilities which survive the Close of Escrow.

### **13. Destruction/Condemnation of the Project.**

In the event that all or any material portion (as defined below) of the Project is damaged or destroyed by any casualty or is the subject of a taking or condemnation under the provisions of eminent domain prior to the date of Closing, Buyer may terminate this Agreement. If the damage or taking is not material, then the following shall apply at the Closing: (a) in the event of a casualty, Buyer shall receive an assignment of the Managing Member's rights to any proceeds of any casualty insurance otherwise payable to a Company along with payment by Seller of any applicable deductible under Seller's insurance by Seller to Buyer, provided that Seller's payment to Buyer hereunder shall not exceed the actual value of the damages as agreed to between Buyer and Seller; and (b) in the event of a taking, the Buyer shall receive an assignment of the Managing Member's rights to any condemnation proceeds resulting from such taking and shall not make any settlements without Buyer's prior written approval. For purposes hereof, damage and/or condemnation for the Project shall be deemed material, if (i) the reasonable estimated cost of repair exceeds ten (10%) percent of the value of the Project, (ii) the expected costs of repair is more than the sum of the insurance proceeds available plus any applicable deductible amount to be paid by Seller, (iii) the Lender (and/or any Person entitled to control the use or disposition of such proceeds) does not consent to make the proceeds available for restoration, or (iv) a taking or casualty results in a material reduction in the low income tax credits thereafter available with respect to the Project. The "value of the Project" for this purpose shall be defined as the sum of the mortgages and other notes payable and Members' equity, as reflected on the audited financial statements for the Company as of December 31, 2012.

#### **14. Termination.**

If Buyer or Seller terminates its obligation to complete the Transaction under circumstances permitted by this Agreement, neither Buyer nor Seller will have any further obligation under this Agreement, except those which by their express terms survive termination. Nothing in this Section 14 is intended to limit the obligations of the Escrow Agent or the provisions of this Agreement dealing with the disposition of funds or documents held in escrow following termination of the obligations of Buyer or Seller.

#### **15. Miscellaneous.**

(A) Interpretation. When the context so requires in this Agreement, words of one gender include one or more other genders, singular words include the plural, and plural words include the singular. Use of the words “include” and “including” are intended as an introduction to illustrative matters and not as a limitation. References in this Agreement to “Sections” are to the numbered subdivisions of this Agreement, unless another document is specifically referenced. The word “party” when used in this Agreement means either Buyer or Seller unless another meaning is required by the context.

(B) Professionals’ Fees. If litigation is commenced by Buyer or Seller against the other party in connection with this Agreement or the Transaction, the party prevailing in the litigation will be entitled to collect from the other party the expense (including reasonable fees and disbursements of attorneys, consultants and other professionals and court costs) incurred in connection with the litigation.

(C) Notice. Any notice or other communication to any party given under this Agreement will be effective only if in writing delivered to whichever of the following addresses is applicable:

If to Seller:

Martin Luther King Housing Development  
Association  
Attn. Linda Fotiou, Executive Director  
1147 Tacoma Avenue South  
Tacoma, WA 98402  
Telephone: (253) 682-1300  
Email: linda@mlkhda.org

If to Buyer:

Housing Authority of the City of Tacoma  
Attn. Tina Hansen  
Interim Director, Real Estate Development  
902 S. L Street  
Tacoma, WA 98405  
Telephone: (253) 207-4434  
Email: thansen@tacomahousing.org

If to Escrow Agent:

[Chicago Title Insurance Company]  
[4717 South 19<sup>th</sup> Street]  
[Tacoma, Washington 98405]

Telephone:

Email:

Any notice or other communication will be deemed received only upon delivery to the address provided for in this Section 15(C) or rejection of delivery at such address. Notice may be given by facsimile or electronic mail transmission, and confirmation of transmission generated by the sender's equipment will be prima facie evidence of receipt. The addresses and addressees to which notice is to be given may be changed by written notice given in the manner specified in this Section 15(C) and actually received by the addressee.

(D) Successors and Permitted Assigns. This Agreement will be binding upon and will inure to the benefit of Buyer and Seller and their respective successors and permitted assigns. Any indemnity in favor of a party also will benefit each person who holds a direct or indirect ownership interest in such party and the respective officers, directors, trustees, agents, employees and Affiliates of such party and such owners, and all such persons are third-party beneficiaries of this Agreement to the extent of their rights to indemnity under the related provision and may enforce that provision against Buyer or Seller, as applicable. Escrow Agent is not a third-party beneficiary of this Agreement, and Escrow Agent may not enforce this Agreement or any obligation under this Agreement.

(E) Headings. The Section headings contained in this Agreement are for convenience of reference only and are not intended to delineate or limit the meaning of any provision of this Agreement or be considered in construing or interpreting the provisions of this Agreement.

(F) Counterparts. This Agreement may be executed in any number of counterparts, each of which will be deemed an original and all of which, taken together, will constitute one instrument.

(G) Entire Agreement. This Agreement embodies the entire agreement and understanding between Buyer and Seller with respect to its subject matter and supersedes all prior agreements and understandings, written and oral, between Buyer and Seller related to that subject matter. This Agreement and the obligations of the parties under this Agreement may be amended, waived and discharged only by an instrument in writing executed by the party against which enforcement of the amendment, waiver or discharge is sought. Joinder of the Escrow Agent will not be necessary to make any amendment, waiver or discharge effective between Buyer and Seller.

(H) Severability. The determination that any provision of this Agreement is invalid or unenforceable will not affect the validity or enforceability of the remaining provisions or of that provision under other circumstances. Any invalid or unenforceable provision will be enforced to the maximum extent permitted by law.

(I) Assignment. Neither Buyer nor Seller may Assign this Agreement or its rights under this Agreement without disclosing all of the terms and conditions of the proposed Assignment to the other party and without the advance written approval of the other party, which approval may be withheld in such other party's sole and absolute discretion; provided,

however, that (i) an Assignment by Buyer to THDG prior to or at Close of Escrow shall be permitted under this Agreement without Seller's advance written approval, and (ii) an Assignment by Buyer to any other Affiliate of Buyer prior to or at Close of Escrow shall be permitted under this Agreement with Seller's advance written approval, not to be unreasonably withheld.

(J) Governing Law. This Agreement will be governed by the laws of the State without giving effect to principles of conflicts of law.

[ SIGNATURES ON FOLLOWING PAGE ]

DRAFT

**SELLER:**

MARTIN LUTHER KING HOUSING  
DEVELOPMENT ASSOCIATION, a  
Washington nonprofit corporation

By: \_\_\_\_\_  
Name:  
Its:

**BUYER:**

HOUSING AUTHORITY OF THE CITY OF  
TACOMA, a public body corporate and politic  
of the State of Washington

By: \_\_\_\_\_  
Name: Michael Mirra  
Its: Executive Director

Joinder by Escrow Agent (only as to its obligations hereunder):

**ESCROW AGENT:**

[CHICAGO TITLE INSURANCE  
COMPANY]

By: \_\_\_\_\_  
Name:  
Its duly authorized \_\_\_\_\_

Exhibit A  
Form of Assignment and Assumption of Managing Member Interests

**ASSIGNMENT AND ASSUMPTION OF MANAGING MEMBER INTERESTS**

THIS ASSIGNMENT AND ASSUMPTION OF MANAGING MEMBER INTERESTS (“Assignment”) is entered into as of \_\_\_\_\_, 2013 by and among MARTIN LUTHER KING HOUSING DEVELOPMENT ASSOCIATION, a Washington nonprofit corporation (the “Withdrawing Managing Member”), the undersigned Investor Member (the “Investor Member”), and HOUSING AUTHORITY OF THE CITY OF TACOMA, a public body corporate and politic of the State of Washington (the “Successor Managing Member”).

Reference is hereby made to the following:

The parties desire to effect the assignment by the Withdrawing Managing Member to the Successor Managing Member of the Withdrawing Managing Member’s Interests in MLK New Look, LLC, a Washington limited liability company (the “Company”), and the assumption of such Interests by the Successor Managing Member, as more specifically set forth herein and as also provided for in the Managing Member Interest Purchase and Sale Agreement dated as of March \_\_, 2013 (the “Agreement”). Capitalized terms used but not specifically defined herein shall have the meanings set forth in the Agreement.

Accordingly, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. The Withdrawing Managing Member hereby assigns, bargains, sells, conveys, transfers and sets over to the Successor Managing Member all of the Withdrawing Managing Member’s Interests in the Company and the Successor Managing Member hereby assumes all of the Withdrawing Managing Member’s Interests in the Company.
2. The Withdrawing Managing Member hereby assigns, bargains, sells, conveys, transfers and sets over to the Successor Managing Member all of (a) the Withdrawing Managing Member’s rights to receive the Deferred Developer Fee, (b) the Withdrawing Managing Member’s rights to receive payment of loans and contributions made by the Withdrawing Managing Member to the Company, and (c) the Withdrawing Managing Member’s rights in any option and/or right of first refusal to purchase the Project and/or the Investor Members interests in the Company.
3. This Assignment may be executed in several counterparts, each of which shall be deemed to be an original copy and all of which together shall constitute one agreement binding on all parties hereto, notwithstanding that all the parties shall not have signed the same counterpart.

*[Signature Pages Follow]*

Witness the execution under seal of this Assignment as of \_\_\_\_\_, 2013.

**WITHDRAWING MANAGING  
MEMBER:**

MARTIN LUTHER KING HOUSING  
DEVELOPMENT ASSOCIATION, a  
Washington nonprofit corporation

By: \_\_\_\_\_  
Name:  
Its:

**SUCCESSOR MANAGING MEMBER:**

HOUSING AUTHORITY OF THE CITY OF  
TACOMA, a public body corporate and politic  
of the State of Washington

By: \_\_\_\_\_  
Name: Michael Mirra  
Its: Executive Director

**INVESTOR MEMBER:**

OREGON EQUITY FUND IV LIMITED  
PARTNERSHIP

By:  
By: \_\_\_\_\_  
Name:  
Its:

Exhibit B  
Mortgage Loan Documents

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Exhibit C  
Operating Agreement, Certificate of Limited Company, and Amendments

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Exhibit D  
Pending Litigation

NONE.

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Exhibit E  
Payables More Than 30 Days Old

*NOTE: The attached schedule represents payables as of \_\_\_\_\_, 2013, and indicates those payables which are more than 30 days old.*

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Exhibit F  
Form of Right of First Refusal

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