



TACOMA HOUSING AUTHORITY

RESOLUTION No. 2012-7-9(1)

DATE: July 9, 2012
TO: Board of Commissioners
FROM: Michael Mirra, Executive Director
RE: LASA Gravelly Lake Drive Project, Authorization to Proceed

LASA (Living Access Support Alliance) is a non-profit homeless services agency. Established 23 years ago under the name "Lakewood Area Shelter Association", LASA has been providing services and shelter to homeless families in Lakewood since its founding. LASA has seven program areas, which include: providing case management services to homeless families, and providing emergency, transitional and permanent housing.

LASA owns three contiguous parcels of land upon which there are currently three single family houses. LASA has its office and client services space in one of the homes; it rent the other two homes to families.

LASA approached THA about THA's interest in partnering with LASA in either a development consultant or a developer role to build up to 25 units of permanent housing with supportive services for homeless families, a new office for LASA, and a client services center for both the families they will serve at this property and other homeless families they currently serve.

After meeting several times, LASA and THA have agreed that the optimum roles for each agency is to have THA serve as the owner/developer of the project through the development phase of the project and into the early stages of operations. Attached to this resolution is a draft of a Memorandum of Understanding (MOU). It sets out the likely respective roles between THA and LASA. This resolution will authorize the THA executive director to negotiate and execute this MOU or one substantially like it.

The main elements of the MOU draft include the following:

- It contemplates that the parties will negotiate and execute a development service agreement to development the project. [Staff would bring this agreement to the Board for the Board's approval.]

- THA will manage and own the project through the development process. It will create a tax-credit partnership that will own the project once it is built. THA will be its general partner and the tax credit investors will own 99% of the project.
- LASA will remain owners of the land and will rent the land to the partnership pursuant to a long-term ground lease.
- During its role as general partner, THA will use a third party manager to manage this property.
- THA and LASA contemplate that LASA will replace THA as general partner at some later point. The timing of THA's exit from the partnership will depend upon negotiations with LASA and with the funders and investors of the project.
- LASA will participate in the design of the project – to ensure that the design program suits LASA's client needs. It will also be a lead partner with THA in any community engagement process that is required throughout the development process.
- LASA will provide supportive services to the homeless families who will live at the project.
- THA will advance predevelopment costs to the project. THA estimates these will total about \$375,000. The project's financing sources will reimburse THA for this expenditure. If the project does not succeed in procuring financing, LASA and THA will evenly split those costs and THA shall have a lien on the land to secure LASA's obligation to pay its half. If LASA does not execute a development service agreement, it will owe THA full reimbursement for all predevelopment expenses.
- THA will earn a developer fee to be paid by the project's budget.
- The MOU is non-binding except to the extent of the parties' obligation to exercise good faith in the negotiation of a development service agreement and LASA's obligation to reimburse THA for predevelopment costs should it decline to execute such an agreement.

If the parties negotiate a development service agreement, staff will present it to the Board for approval.

Development and Finance Strategy

Earlier this year, LASA applied to the Washington State Department of Commerce for Housing Trust Fund financing. The Department placed this project on the list of projects that were approved during the recent legislative session. The project received a preliminary commitment of \$3,062,000. Once THA and LASA have an executed Memorandum of Understanding in hand, the Department of Commerce will assign the project a funding commitment to THA, the project developer. This summer, THA will formally apply to the Department of Commerce to receive these funds. With this formal application, THA will present a full and complete development and finance strategy for the project. THA will also need to demonstrate that construction on the

project can start by June 30, 2013.

The project will likely rely on two sources of capital financing: Low-Income Housing Tax Credits, and a loan from the Washington State Housing Trust Fund. **The project will not need any permanent funding from THA.** The Pierce County Housing Authority has agreed to provide project-based Section 8 subsidies.

I recommend that the Board approve this resolution. Doing so will allow THA to continue negotiations with LASA for a development service agreement. It will also allow THA to begin predevelopment work. That work is important to begin right away in order to preserve the chances for the Housing Trust Fund money, which imposes a tight development schedule.

This project is appealing to THA for two reasons. **First**, it allows THA to assist a sister organization that shares with us an important mission as well as social justice values. **Second**, THA will earn a developer fee. Earning such fees is part of THA's strategic plan for its own financial stability. We estimate that THA will earn a fee of about \$430,000. Deducting for its expenses, mostly staff costs, we estimate a net income to THA of about \$ 350,000.

THA would incur risks and obligations, including:

- THA risks about \$375,000 in predevelopment costs it will advance. These include architectural and engineering services that are the subject of a separate resolution. It is possible, although not likely, that LASA will decline to execute a development service agreement. In that event, LASA will owe THA full reimbursement. THA risks that LASA may not have the funds to cover this debt, although THA will have a lien for it against the land. Even after the parties sign a development service agreement, the project may fail to get its financing. If the project dies, then LASA will owe THA reimbursement for half the predevelopment costs. The same uncertainty and risk arises about LASA's ability to cover this debt.
- If the project proceeds, THA would incur normal development risks, including its guarantee to lenders that it will finish construction and its likely obligation to cover operating deficits during its term as general partner.

THA's asset management committee judges that these risks are manageable. It recommends that THA proceed with the negotiations for a development service agreement with LASA under the general terms of the MOU.

Recommendation

Approve Resolution 2012-7-9(1) authorizing the Executive Director to (i) negotiate and execute a memorandum of understanding with LASA in substantially the form as the attached draft, (ii) apply for financing for the project, and (iii) expend up to \$375,000 in predevelopment funds during this calendar year.



TACOMA HOUSING AUTHORITY

RESOLUTION NO. 2012-7-9(1)

(LASA Gravelly Lake Drive Project)

A RESOLUTION of the Housing Authority of the City of Tacoma authorizing the negotiation and execution of a memorandum of understanding with the Living Access Support Alliance in connection with the development of housing for homeless persons, the creation of a tax credit partnership and the expenditure of Authority funds for pre-development costs relating to the project.

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 Authority's area of operation; and

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

WHEREAS, RCW 35.82.070(5) provides that a housing authority may, among other things and if certain conditions are met, "lease or rent any dwellings . . . buildings, structures or facilities embraced in any housing project"; and

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"; and

WHEREAS, the Authority has an opportunity to participate in the development of an affordable rental housing project for homeless persons on property (the "Property") in the City of Lakewood, Washington, owned by the Living Access Support Alliance ("LASA"), which development will contain approximately 25 housing units (the "Project"); and

WHEREAS, the development of the Project will further the Authority's mission, while LASA retains fee title to the Property; and

WHEREAS, financing for the Project will require several sources of funds, including low income housing tax credits and a Housing Trust Fund loan; and


WHEREAS, the Board of Commissioners of the Authority (the "Board") has determined that it is necessary to use Authority funds to pay certain predevelopment costs relating to the Project pending receipt of permanent financing; NOW, THEREFORE,

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

1. Memorandum of Understanding with LASA. The Executive Director of the Authority is authorized to negotiate and execute a memorandum of understanding with LASA in substantially the form as the attached draft.
2. Tax-Credit Partnership. The Executive Director is further authorized to participate in the creation of the partnership, to seek and select a tax-credit investor and to apply for funding needed to complete the project.
3. Advancing Funds for Pre-development Costs. The Authority is authorized to use available housing authority funds, in a combined amount from all sources not to exceed \$375,000, to pay predevelopment costs for the Project pending the receipt of other funding for the Project.
4. Acting Officers Authorized. Any action required by this resolution to be taken by the Executive Director of the Authority may in his absence be taken by the acting Executive Director of the Authority.
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.
6. Effective Date. This resolution shall be in full force and effect from and after its adoption and approval.

ADOPTED by the Board of Commissioners of the Housing Authority of the City of Tacoma at an open public meeting this 9th day of July, 2012.

HOUSING AUTHORITY OF THE CITY
OF TACOMA



Janis Flauchig, Chair

CERTIFICATE

I, the undersigned, the duly chosen, qualified and acting Executive Director of the Housing Authority of the City of Tacoma (the "Authority") and keeper of the records of the Authority,

CERTIFY:

1. That the attached Resolution No. 2012-6-27(1) (the "Resolution") is a true and correct copy of the resolution of the Board of Commissioners of the Authority as adopted at a meeting of the Authority held on July 9, 2012 and duly recorded in the minute books of the Authority; and

2. That such meeting was duly convened and held in all respects in accordance with law; that a quorum was present throughout the meeting and a majority of the members of the Board of Commissioners of the Authority present at the meeting voted in the proper manner for the adoption of the Resolution; that all other requirements and proceedings incident to the proper adoption of the Resolution have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this Certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this 9th day of July, 2012.

HOUSING AUTHORITY OF THE CITY OF
TACOMA

Michael Muir

Executive Director