



TACOMA HOUSING AUTHORITY

RESOLUTION 2013-4-17 (4)

DATE: April 17, 2013
 TO: Board of Commissioners
 FROM: Michael Mirra, Executive Director
 RE: Stewart Court Purchase and Sale Agreement

Background

On March 27, 2013, the Board of Commissioners approved the execution of a Letter of Intent (LOI) with Dean and Anne Curry for their acquisition of the Stewart Court Apartments. The Executive Director signed the LOI on March 28, 2013. Since then THA's legal counsel has drafted a Purchase and Sale Agreement (PSA). The PSA allows for a 135 day period of feasibility and financing, including:

- a 45 day feasibility period for the Buyers to review records and reports, property condition and financial performance;
- a 60 day financing period for the Buyers to secure financing;
- a 30 day period to close on the transaction.

The sale of the Stewart Court Apartments will have the following elements:

- maintain the affordability of the housing through 2033;
- pay off an existing \$1.2 million debt;
- reduce the mortgage payments of approximately \$90,000 annually;
- eliminate a negative annual cash flow;
- net approximately \$235,000 in sales proceeds to THA.

The sale of Stewart Court includes paying off the portion of the Heritage Bank Loan assigned to Stewart Court, but maintaining the City of Tacoma loan in place and transferring it to a new Owner who would keep the affordability in place. While the loan is not paid off, the sales price is discounted by the value of the loan due to the restrictions the loan carries. THA would be free and clear of both loans after the sale.

Sales Price from LOI	\$3,080,695 .
Discount due to City of Tacoma Loan	(1,505,695) .
Net Sales Price	\$1,575,000
Pay off Heritage:	(1,217,374)
Appraisals necessary to pay off Heritage	(30,000)
Sales Commission (3%)	(92,421)
NET Proceeds	\$ 235,205

Stewart Court is encumbered by loans from both Heritage Bank and the City of Tacoma. The Heritage Bank loan is secured by Deeds of Trust on Stewart Court, Wedgewood (50 single

family homes) and the 9 Market Rate Single Family Homes. The portion of the loan assigned to Stewart Court had an outstanding balance of \$1,217,374 as of 3/31/13. This portion of the loan can be paid, and the Deed of Trust on Stewart Court released, if the remaining collateral pool's value can support the remaining loan amount at a loan to value ratio of .85:1. The payoff of the Stewart Court portion of the loan would require the remaining 59 properties be appraised, with the appraisal cost estimated at \$22-\$30,000. This cost is included in the analysis of the Net Sales Proceeds.

The City of Tacoma loan is also secured by a Deed of Trust on the Stewart Court property. The loan balance is \$1,505,695 and includes a Low Income Housing Covenant that will not be released until 2033. This Covenant carries affordability requirements that continue until 2033, regardless of whether the loan is paid off or not. The City of Tacoma loan is transferrable upon sale and will be assumed by the Curry's upon purchase. This loan does not carry any debt service.

Recommendation

Approve Resolution 2013-4-17(4) authorizing the Executive Director to negotiate, and if those negotiations are successful, to execute the Purchase and Sale Agreement with Dean and Anne Curry for their purchase of the Stewart Court Apartments.



TACOMA HOUSING AUTHORITY

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.

Approved: April 17, 2013



Janis Flauding, Chair