



TACOMA HOUSING AUTHORITY

RESOLUTION 2014-11-19 (1)

DATE: November 19, 2014
TO: Board of Commissioners
FROM: Michael Mirra, Executive Director
RE: Scattered Site Public Housing Homeownership

Background

This resolution authorizes the executive director to ask HUD for permission to sell THA's thirty-four (34) single-family public housing units. THA seeks permission to sell them to their low-income occupants or to other low-income households in Tacoma. If HUD grants permission, the matter would return to the board for its final approval to sell the homes.

There are several reasons to sell. Most of them relate to money. There are other factors to consider as well, including the effect on present residents. This memo discusses those reasons and factors below. In summary, THA seeks to sell the homes for four (4) main reasons:

1. THA needs the \$3 million the sale would provide. It needs the money to fix up the rest of the portfolio. As the board knows, the money THA receives in rent and in subsidy from HUD's public housing capital fund is not enough to keep the portfolio up to THA's standards. The \$3 million will help. The need to pay for this fix up has become an urgency because of THA's Rental Assistance Demonstration (RAD) application to HUD to convert all its public housing units to section 8 units. THA seeks that conversion because it judges that the section 8 funding stream will be, if not more generous than the public housing funding stream, then at least more stable. As a condition of the RAD conversion, however, THA must show a plan to finance the fix-up. A RAD conversion will help by allowing THA to borrow against the portfolio, something public housing rules do not allow. Yet, this borrowing will not be enough. The \$3 million will be necessary.
2. The single-family homes need some substantial repairs that would be expensive. THA needs to invest the money in the fix-up of the remainder of its portfolio.
3. The single-family homes are expensive to manage and maintain, for two reasons. **First**, they are scattered widely. **Second**, THA's property management structure and skills are suited for apartment buildings and closely situated properties. Single-family homes and their different systems and needs make them harder for THA to manage.
4. The sale of the single-family homes is a chance to provide homeownership opportunities to low income families. About 93 families in the portfolio (7%) and 204 families in the Section 8 program (5%) have incomes within the low income bracket of 50% to 80% of A.M.I. that is low enough to qualify but higher enough to afford the purchase. Another 116 families on the THA's current waitlists fall within this range. THA would partner

with a homeownership agency such as Habitat for Humanity or the Homeownership Center. Such partners would counsel families, prepare those who are interested for homeownership and help them finance the purchase. The City also has a strong down payment assistance program for low-income first time purchasers.

Here are some further factors pertinent to the decision to sell these homes:

Effect on Residents:

The sale may be a valuable chance for a household to buy the home it had been renting. They would have the right of first purchase. Yet, if the household is not interested in buying or if it cannot afford the purchase, the sale of the home will displace the household. THA will rehouse them in one of two ways. **First**, THA will transfer the household to another part of its public housing portfolio. **Second**, THA will give them a tenant-based housing voucher that will help pay the rent on a home or apartment the family finds in the private rental market. Many residents may favor the voucher for the ability it allows the family to choose its home and to move with the subsidy. THA will provide relocation assistance including financial assistance and counseling.

In the case of either public housing or a voucher, the amount of the subsidy may change with THA's rent reform. The family's share of the rent may start out the same as its present rent. Its share may increase as the program rules change with THA's rent reform. That, however, is also a possibility should THA not sell the homes but keep them as public housing.

Effect on Portfolio:

Selling these homes will remove some of THA's larger units. They are primarily three bedroom homes, which constitute 30% of THA's portfolio. They also include a few homes with 2, 4 and 5 bedrooms. Here is a breakdown of THA's portfolio by bedroom size and the size units needed for THA's waiting list and the units the city needs. These data show that, even after the sale, THA's stock of three-bedroom units is significantly higher proportionately than the overall demand for such units in the City or on its waiting list. THA's stock of larger units seems about right.

Bedrooms	Percent of Waitlist	PH Single family homes	Added to Portfolio via Bay Terrace	Total Units	% of Portfolio	After Disposition	% of Portfolio
1 Bedroom	45%	0	26	416	33%	416	34%
2 Bedroom	35%	1	30	389	31%	388	32%
3 Bedroom	14%	25	14	383	30%	358	29%
4 Bedroom	4%	6	0	52	4%	46	4%
5 Bedroom	1%	2	0	22	2%	20	2%
6 Bedroom	0%	0	0	1	0%	1	0%

Three, four, and five bedroom units primarily house families with five or more members. According to the 2010 Census data for the City of Tacoma, there are roughly 7,900 families, or 10% of Tacoma's population, with five or more members. The majority of these families (6,293) are five or six member households, most likely qualifying for three-bedroom units. In summary, the sale will leave THA with an adequate number of larger size units. Additionally, the market study for Bay Terrace Phase 2 on June 13, 2014 recommended a unit mix of 12% three-bedroom units. The current unit mixes we are considering for this next phase all have a higher percentage of three-bedroom units than called for in the market study.

Sale Price

The home prices for the 34 homes will range from \$100,000 – \$140,000. We estimate a conservative net of \$100,000 per home after rehabilitation costs and sharing up to 10% of the proceeds with the respective homeownership organization. We estimate roughly \$3 million in net proceeds.

Recommendation

Approve Resolution 2014-11-19 (1), formally authorizing THA to submit a Section 32 Application to HUD for the disposition and sale of the 34 public housing scattered single family as affordable homeownership opportunities.



TACOMA HOUSING AUTHORITY

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SCATTERED SITE PUBLIC HOUSING HOMEOWNERSHIP

Whereas, THA does not receive enough money from the Public Housing Capital Funds program or rents to adequately maintain the public housing portfolio;

Whereas, THA's recent Rental Assistance Demonstration (RAD) application to HUD to convert its public housing stock to section 8 financing commits THA to financing the portfolio's rehabilitation;

Whereas, to afford that financing and the rehabilitation, THA needs the money available from the sale of its scattered site public housing single-family homes;

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

Whereas, a Section 32 disposition approval from HUD allows THA sell the homes in a way to provide homeownership to current occupants and other residents receiving THA subsidy and other low income families in Tacoma;

Whereas, THA is also prepared to offer residents who do not purchase their homes housing in other parts of THA's portfolio or a tenant-based housing voucher.

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

1. The Executive Director has the authority to submit a Section 32 application to HUD for the sale of thirty-four (34) single family scattered site public housing homes.

Approved: November 19, 2014


Stanley Rumbaugh, Chair