



# TACOMA HOUSING AUTHORITY

## RESOLUTION 2014-04-23 (2)

DATE: April 23<sup>rd</sup>, 2014  
TO: Board of Commissioners  
FROM: Michael Mirra, Executive Director  
RE: Approval of Letter of Intent from Anne Curry to Purchase the Wedgewood property

### **Background**

Wedgewood was built in 1981 and THA acquired it in 1996. It is a 50 unit, single family home property; 46 of the units are in one neighborhood located just off of North Pearl Street, at North 39<sup>th</sup> Street. The four additional units are on the Eastside of Tacoma. The property has a loan with Heritage Bank with a balance of \$4.1 million; the loan with Heritage has no prepayment penalty, nor affordability covenants. The property has a HAP contract that expires in October, 2014; this contract can be renewed. We also anticipate that it can be transferred to the Buyer; confirmation of the ability to transfer the contract is included as a part of the Buyer's due diligence.

Anne Curry has submitted a Letter of Intent and has offered \$6,000,000 to purchase the property. If THA accepts the LOI, a Purchase and Sale Agreement will be delivered by the Buyer within five (5) business days. The Purchase and Sale Agreement will contain the terms of the LOI. Once a Purchase and Sale Agreement is executed, there will be a 45 day period to allow the Buyer to complete due diligence and determine whether or not to execute the sale.

The LOI further outlines the Buyer's intent

- The Buyer intends to keep 75% of the units affordable for the first year by keeping the existing HAP contract in place for 75% or 37 of the units. The Buyer's goal is release 25% of the units or 12 units each year from the HAP contract.
- For those units released from the HAP contract, THA will be issued Tenant Protection Vouchers. These vouchers can be used by the existing tenants to move or remain in place at Wedgewood.

As a result of the sale:

- THA will pay of an existing \$4.1 million debt.
- The property currently has approximately \$700,000 in reserves that would be maintained by THA.
- THA will net between \$2.5 and \$3 million from the combination of net sales proceeds and reserves, after the debt and fees are paid.

**Benefits and Risk:**

Wedgewood has been managed by a third party manager and has not been kept in good condition. While it does cash flow at approximately \$65,000 per year, there is significant deferred maintenance. And, at \$65,000 per year in net cash flow, it will take 38 years to realize the same amount we can realize from the sale proceeds. Property management and asset management have worked with the third party manager over the past year to improve the maintenance and management of the property. The REAC score improved from early 2013 (score of 72) to late 2013 (score of 92), and further improvements to the property are planned. However, the \$700,000 in reserves will only cover the building exteriors and the site, and will not allow for interior improvements to the units.

The site is difficult for THA to manage because the majority of the homes are not located near any other THA property. As a single family neighborhood, with no on site office or presence, the property is also more cumbersome to manage and maintain. There are more exterior and common site areas to maintain, as well as individual garages, yards, fences, etc.

The Buyer intends to gradually release the HAP contract, maintaining 75% of the units as affordable and subsidized for the first year and gradually releasing the remaining units from the HAP contract at a rate of 25% per year. This loss of subsidy will be replaced with Tenant Protection Vouchers which THA can provide to existing tenants. These subsidies can be used for tenants to remain in place at Wedgewood, or move, thereby distributing affordable housing around the City. While the “hard” units may eventually be lost as affordable, the subsidies for 50 units will remain in the community and THA can use the net proceeds from the sale to build or buy other units. For example, THA can use the proceeds to help pay for Hillside Terrace Phase II, or another development or acquisition.

Wedgewood was appraised in mid 2013 and the value, if sold as a bulk sale was established at \$5.6 million. However the retail value, if the homes were sold individually, was set at \$7.3 million. While the Buyer intends to buy the property in bulk, our broker believes that the property is worth more than the \$5.6 million, and he also believes the Buyer would consider a higher price than what is offered in the LOI.

**Recommendation**

Approve Resolution 2014-4-23 (2) authorizing the Executive Director to execute the Letter of Intent from Anne Curry to Purchase the Wedgewood property. This will not commit THA to the sale. The final approval of the sale will come back to the Board for further action.



# TACOMA HOUSING AUTHORITY

## RESOLUTION 2014-4-23 (2)

### APPROVAL OF LETTER OF INTENT FROM ANNE CURRY TO PURCHASE THE WEDGEWOOD PROPERTY

**WHEREAS**, Tacoma Housing Authority (THA) owns the rental property known as Wedgewood;


**WHEREAS**, Tacoma Housing Authority (THA) has received a Letter of Intent from Anne Curry to purchase the Wedgewood property;

**WHEREAS**, the Letter of Intent outlines delivery of a Purchase and Sale Agreement containing the terms of the Letter of Intent;

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

The Executive Director is authorized to negotiate the price and to execute the Letter of Intent from Anne Curry to purchase the Wedgewood property, provided that the document will not commit THA to the sale. Further Board action will be necessary to approve a sale.

Approved: April 23, 2014

  
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Greg Mowat, Chair  
*STAN POMBALIN THE CHAIRMAN*