



RESOLUTION 2024-08-28 (5)

Date: August 28, 2024

To: THA Board of Commissioners

From: April Black
Executive Director

Re: Aviva RFP Award to Related NW

This resolution would authorize the executive director to award Parcel A, Aviva Crossing to Related N.W. under the following terms for development of affordable housing based on Related N.W.'s proposal of February 2024:

- *Establish a partnership with Related N.W in which THA will assume a minority, managing member role, and Related N.W. an administrative managing member role in a 4% tax credit deal with local funding and State HTF; and*
- *Structure a Financial Deal: THA would negotiate either an outright purchase and sale agreement or a long-term ground lease that returns \$1,375,000 to THA. Related N.W. prefers a ground lease because it would facilitate the funding of development and operations via THA's ownership and property tax exemption.*

BACKGROUND

The Asset Management and Real Estate Development (AMRED) department is seeking approval to select Related N.W. to develop Parcel A at Aviva Crossing. The selection of the developer for this parcel is impactful and important for THA. The developer intends to keep current leases in place until the end of 2027 or buy them out and relocate the tenants. The developer has its partners lined up including a general contractor, architect, and development team. They have their financing infrastructure aligned for a 2028 ground-breaking timeline.

Summary of the Request for Proposal Process

THA received three responses to the RFP for Aviva Crossing Parcel A, which was issued in October 2023. They were from J2Housing, Related N.W., and KWA with Beacon Development as their consultant.

Each respondent proposed affordable housing, and a range of unit count between 124-215 units. THA goals and THA's funding partners goals, as listed in the RFP included:

- Experience and Qualifications
- Locally owned and/or BIPOC
- Local and Diverse workforce
- Affordability and housing units
- Partnerships and creativity
- Financial plans and capacity

The RFP described other characteristics, such as plans to address community need, sustainability, plans for commercial, and other information such as timeline, purchase price, etc.

The review team initially scored KWA higher, with the exception of two scores, which scored Related higher. The scores averaged scores between these two developers were within only three points, out of a point total of 100.

J2Housing 67

Related N.W. 79

KWA 82

A smaller team then interviewed all three of the developers. After the interviews, the interview team determined that additional discussion with Related N.W. and KWA and Beacon was warranted, along with a discussion with funders and references.

KWA's proposal was interesting and scored well. KWA is a multicultural organization and the proposal had deep affordability. It depends, however, on a very complicated and unpredictable stack of capital resources, including HUD 202 and 9% tax credits, both highly competitive sources of funding. After consultation with Pierce County, we learned that KWA would not likely "fit" into the 9% tax credit pipeline until 2028 or 2029. And, while the HUD 202 brings rental subsidy to the units, as described by Beacon Development in the second interview, and by Pierce County during reference checking, its availability is unpredictable and it can cause significant delays to projects. While the proposal included a back up plan to use the 4% LIHTC as a source in place of the HUD 202, the timeframe can become much longer to complete the project.

After second interviews with the two top scoring respondents, additional consideration and talking to references, we are recommending that THA select Related N.W. as the developer for the site. The second interview with Related N.W. resulted in additional information, detailed below. Their references also described them as a professional developer, completing complicated and robust projects, on time and on budget, amidst changing financial environment. Each reference was a funding source and said that they would welcome the opportunity to work with Related N.W. again.

RNW proposes structuring a long-term ground lease for development and operation of the project and to allow THA to retain ownership and provide a property tax exemption. Related N.W. stated that they want to negotiate terms that work for both parties. Related N.W. proposed a Ground Lease for THA's consideration: annual \$25,000 payments for the duration of a 55-year ground lease, accruing \$1,375,000.

RNW will be leading all development activities and providing all financial guaranties. This includes assembly of funding applications, performing and managing land use processes and leading design and construction with the consultants. Should THA choose to be a partner to the ownership structure, THA is welcome, but not required, to join any Owner-Architect-Contractor (OAC) meetings, predevelopment, design or construction meetings. Upon award, RNW will work with THA to determine if THA would like to attend any meetings. Should THA choose not to join any project meetings, RNW is happy to have regular check-ins to update THA on project progress. No material staff time will be required from THA during predevelopment and construction if it is not desired. If THA chooses not to be a partner to the deal, periodic project updates will be provided throughout predevelopment and construction.

With the final commercial lease burning off on December 31, 2027, RNW anticipates allowing all leases to end while performing predevelopment activities and assembling financing in 2026 and 2027. However, the project proforma will continue to include relocation expenses until each lease burns off, retaining a budget that would allow the project to buyout any remaining leases in the event that financing has been secured and construction start is desired prior to December 31, 2027 Related proposes robust community engagement, building upon the Master Plan, and describes where they have done this and the success of it in other projects, including marketing resulting in well over 50% of their residents in recent lease ups identifying as BIPOC.

Should THA enter into a co-ownership partnership deal with Related as described in the resolution, THA does not want to be involved in property operations or administration. THA does not want to fund any pre-development or development costs. If THA does not want to be a co-owner, Related N.W. will need to seek another non-profit or housing authority partner to access the State Housing Trust Fund.

Partnership Deal & THA's Role

THA's role in Development: With the goal of protecting THA's financial and staff resources and minimizing risk, Related N.W. will lead all development activities and provide all financial guaranties. This includes assembly of funding applications, performing and managing land use processes and leading design and construction with the consultants. THA is welcome, but not required, to join any Owner-Architect-Contractor (OAC) meetings, predevelopment, design or construction meetings. Upon award, Related N.W. will work with THA to determine if THA would like to attend any meetings. Should THA choose not to join any project meetings, RNW is happy to have regular check-ins to update THA on project progress. No material staff time will be required from THA during predevelopment and construction if it is not desired.

The Asset Management Committee supported the selection of Related N.W. at their July 11 meeting.

RECOMMENDATION

AMRED requests the approval to develop a partnership deal and structured a financial deal with Related N.W. under the following conditions and based on the proposal submitted by Related N.W. in February 2024.

1. Establish a Partnership with Related N.W.: In this partnership, THA will assume a managing member role, and Related N.W. an administrative managing member role in a 4% tax credit deal with local funding and State HTF. THA would not be involved in property operations or administration. THA would not fund development. This ownership structure is similar to the Hilltop Lofts structure where THA leases the land and has a minority ownership position.
2. Structure a Financial Deal: THA would negotiate either an outright purchase and sale agreement or a long-term ground lease that returns \$1,375,000 to THA. Related N.W. prefers a ground lease because it would facilitate the funding of development and operations via THA's ownership and property tax exemption.



RESOLUTION 2024-08-28 (5)

(Aviva RFP award to Related NW)

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

WHEREAS, THA conducted an RFP process in February 2024 for the award of Parcel A at Aviva Crossing for the development of an affordable housing community there; and

WHEREAS, the RFP committee recommend that Related N.W. be selected as developer of Parcel A at Aviva Crossing at the conclusion of interviews and thorough due diligence of all the proposals that were submitted to THA in February 2024; and

WHEREAS, THA's Asset Management Committee supports the RFP Committee's recommendation to award the Parcel A at Aviva Crossing to Related N.W.; and

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

The Executive Director is authorized to award Parcel A, Aviva Crossing to Related N.W. under the following terms for development of affordable housing based on Related N.W.'s proposal of February 2024:

1. Establish a Partnership with Related N.W.: In this partnership, THA will assume a managing member role, and Related N.W. an administrative managing member role in a 4% tax credit deal with local funding and State HTF. THA would not be involved in property operations or administration. THA would not fund development. This ownership structure is similar to Hilltop Lofts structure where THA leases the land and has a minority ownership position.
2. Structure a Financial Deal: THA would negotiate either an outright purchase and sale agreement or a long-term ground lease that returns \$1,375,000 to THA. Related N.W. prefers a ground lease because it would facilitate the funding of development and operations via THA's ownership and property tax exemption.

Approved: August 28, 2024


Derek Young, Chair

Exhibit A

Memo from RFP Interview Team

TO: Asset Management Committee

FROM: Ken Short and Sandy Burgess

DATE: June 20, 2024

Subject: Aviva Crossing RFP for Parcel A Recommendation for Developer

THA received three responses to the RFP for Aviva Crossing Parcel A, which was issued in October, 2023. They were from J2Housing, Related N.W., and KWA with Beacon Development as their consultant.

Each respondent proposed affordable housing, and a range of unit count between 124-215 units. THA goals and THA's funding partners goals, as listed in the RFP included:

- Experience and Qualifications
- Locally owned and/or BIPOC
- Local and Diverse workforce
- Affordability and housing units
- Partnerships and creativity
- Financial plans and capacity

The RFP described other characteristics, such as plans to address community need, sustainability, plans for commercial, and other information such as timeline, purchase price, etc.

The RFP responses were reviewed by a team including Ken Short, Sandy Burgess, Nicholas Carr, Ginger Peck, Annette Massari, Erika Munoz, Maddie Pattin, Les Pogue and Gus Ramos. The responses and proposals are summarized below:

- J2Housing is a relatively young, BIPOC led nonprofit with whom THA has had several conversations. Their direct experience appears to be minimal, however, they have projects in the pipeline. They propose a robust development team to include a very experienced development partner, and other consultants and lenders. They propose 180-215 units, (the higher number of units would come with reduced parking), a ground floor, 10,000 square foot daycare and space for other locally owned retail such as a coffee shop. Seven of the units would be two story townhomes. The units would primarily serve households earning 80% AMI or less. Their proposal includes 55-123 parking stalls. The residential units are a mix of studio, one and two bedroom units, with interesting, functional floor plans. The proposal outlines solar ready roof, a small roof deck and above ground courtyard. The proposal anticipates a LEED building and discusses all electric systems, EV ready parking stalls, solar, etc.

- Related N.W. is a known developer, working to expand into Washington from Oregon, where they have been operating for just five years, with four projects completed. They are backed by the Related Companies, a national development and investment enterprise. They have worked with other housing authorities, and the Brawner team has experience with them. Their ownership structure could include THA in a managing member role, and Related in an administrative managing member role in a 4% tax credit deal with local funding and State HTF. The ownership structure is similar to the Hilltop Lofts structure where THA leases the land and has a minority ownership position.

Related’s team includes Mithun architects, Walsh Construction (both of whom are working with Mercy at Aviva), Quantum Residential (not related to Coast or the Quantum THA has used). They propose 150-191 units, with 50% at 50% AMI and 50% at 60% AMI, including studio, 1, 2 and 3 bedroom units, plus 5 live work units intended to meet the commercial space requirements. On site parking is proposed at 52-54 stalls, and two courtyards are shown on the preliminary site plan. The proposal includes ESDS, solar array-ready roof, EV ready parking, and Related has won an award for sustainability practices from Earth Advantage.

- KWA is a local and Western Washington nonprofit, with multi-services and four affordable housing projects completed over the past 15 years, and another one on the way. Their Federal Way site is a TOD development. They are partnering with Beacon Development with whom they are working on their most recent project. Beacon is an experienced housing developer in Washington and California. KWA proposes Environmental Works as their architect, with whom they have completed their last three projects.

The proposal is for 124 units, with studio and one bedroom units, in two separately financed LIHTC projects, one 61 unit building with HUD 202/9% tax credit financing and one 61 unit 4%/bond project, serving seniors between 30-60% AMI. The proposal discusses conversations with the City of Tacoma about a senior center in the building, and KWA proposes a social service and in home care office in the building for residents and the larger community, using their Lifelong Learning Center model that operates at other KWA properties. The proposal discusses practicum opportunities with TCC. They also propose a small retail space of approximately 2,600-2,800 square feet and envision a coffee shop or small café/restaurant, and 55 parking stalls.

The review team generally scored KWA higher, with the exception of two scores, which scored Related higher. The scores averaged scores between these two developers were within only three points, out of a point total of 100.

J2Housing	67
Related N.W.	79
KWA	82

A smaller team then interviewed all three of the developers. After the interviews, the interview team determined that additional discussion with Related N.W. and KWA and Beacon was warranted, along with a discussion with funders and references. Sandy and Ken conducted the second interviews and Sandy discussed the local funding pipeline with Pierce County and contacted references.

The selection of the developer for this parcel is impactful and important for THA. The developer will need to keep current leases in place until the end of 2027, or buy them out and relocate the tenants. The developer will then need to be ready to go, fully financed as soon thereafter as possible.

KWA's proposal was interesting and scored well. KWA is a multicultural organization and the proposal had deep affordability. It depends, however, on a very complicated and unpredictable stack of capital resources, including HUD 202 and 9% tax credits, both highly competitive sources of funding. After consultation with Pierce County, we learned that KWA would not likely "fit" into the 9% tax credit pipeline until 2028 or 2029. And, while the HUD 202 brings rental subsidy to the units, as described by Beacon Development in the second interview, and by Pierce County during reference checking, its availability is unpredictable and it can cause significant delays to projects. While the proposal included a back up plan to use the 4% LIHTC as a source in place of the HUD 202, the timeframe can become much longer to complete the project.

After second interviews, additional consideration and talking to references, we are recommending that THA select Related N.W. as the developer for the site. The second interview with Related N.W. resulted in additional information, detailed below. Their references also described them as a professional developer, completing complicated and robust projects, on time and on budget, amidst changing financial environment. Each reference was a funding source and said that they would welcome the opportunity to work with Related N.W. again.

RNW proposes structuring a long-term ground lease for development and operation of the project and to allow THA to retain ownership and provide a property tax exemption. RNW proposes two options for a Ground Lease for THA's consideration: first is annual \$25,000 payments for the duration of a 99-year ground lease, accruing \$2,475,000 over the term of the lease. The second option is to provide an approximately \$500,000 capitalized lease payment upon the projects' financial close, with annual \$25,000 payments for 62 years, accruing to the appraised value of the land at \$2,050,000.

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to join any project meetings, RNW is happy to have regular check-ins to update THA on project progress. No material staff time will be required from THA during predevelopment and construction if it is not desired. If THA chooses not to be a partner to the deal, periodic project updates will be provided throughout predevelopment and construction.

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THA will need to decide if it wants to be a co-developer and in long term co-ownership with Related in the ownership structure described above. If THA does not want to be "in the deal", Related will need to seek another non profit or housing authority partner in order to access the State Housing Trust Fund.