

TACOMA COMMUNITY REDEVELOPMENT AUTHORITY
Meeting Agenda

August 9, 2018
Tacoma Municipal Bldg., Room 248

Meeting No. 665

7:30 A.M. ROLL CALL

CALL TO ORDER

THE FOLLOWING ITEMS ARE PRESENTED FOR BOARD REVIEW AND DISCUSSION:

CONSENT AGENDA

- | | |
|---|--------|
| 1. TCRA Meeting Minutes for July 26, 2018 | Exh. 1 |
| 2. Check Registers: June and July | Exh. 2 |

HOUSING

- | | |
|---|--------|
| 3. <u>Negotiations for potential real estate transaction</u> (Presenter: Gloria Fletcher)
<i>(The enclosed exhibit pertinent to this item is confidential. The exhibit must not be shared or forwarded.)</i> | Exh. 3 |
|---|--------|

The Board will meet in Executive Session from 7:45 AM to 9:00 AM to discuss this item.
Confidential do not respond, do not forward

FOR THE GOOD OF THE ORDER

ADJOURN

Tacoma Community Redevelopment Authority Meeting Minutes
Meeting No. 664



July 26, 2018
Tacoma Municipal Bldg., Room 248

MINUTES
Meeting No. 664

Steve Snider called the meeting to order at 7:33 a.m.

ROLL CALL

TCRA Members Present: Alex Hogan, Ian Northrip, Zac Schon, Jason Kors, Dan Montopoli

TCRA Members Absent: Steve Snider, Lisa Luken, Tess Colby, Karsen Keever, Matthew Schemp

TCRA Staff in Attendance: Daniel Murillo, Chris Suh, Carol Hassard, Jacinda Steltjes, Shannon Johnson

City of Tacoma Staff in Attendance: Jeff Robinson, CEDD Director

Guests: Habitat for Humanity: Maureen Fife, Gomer Roseman

THE FOLLOWING ITEMS WERE PRESENTED FOR BOARD REVIEW AND DISCUSSION:

CONSENT AGENDA

1. TCRA Meeting Minutes for June 28, 2018

MOTION: Zac Schon moved to approve the consent agenda as presented. Ian Northrip seconded the motion. The consent agenda received a unanimous passing vote.

HOUSING

2. 1026 S Sprague Avenue Developer Recommendation (Presenter: Shannon Johnson)

Staff recommended the Board authorize staff to enter into a combined purchase and sale and development agreement with Tacoma Pierce County Habitat for Humanity to develop an affordable single-family residence project on the property located at 1026 S Sprague.

MOTION: Jason Kors moved to approve the item as presented. Zac Schon seconded the motion, which received a unanimous passing vote.

3. Enterprise Community Partners, Inc. Contract Amendment: Affordable Housing Action Strategies
(Presenter: Daniel Murillo)

Staff requested the Board authorize the TCRA Administrator to execute an amendment to the Enterprise Community Partners, Inc. contract, increasing the overall budget by an amount up to \$20,000 in UDAG funds and amending the Scope of Work.

Tacoma Community Redevelopment Authority Meeting Minutes
Meeting No. 664

MOTION: Alex Hogan moved to authorize the TCRA Administrator to execute an amendment to the Enterprise Community Partners, Inc. contract, increasing the overall budget by an amount up to \$20,000 in UDAG funds and amending the Scope of Work through the end of September. Zac Schon seconded the motion, which received a unanimous passing vote.

ECONOMIC DEVELOPMENT

4. TCRA Property: 1214 Martin Luther King Jr. Way (Presenter: Carol Hassard)

On behalf of the Hilltop Action Coalition (HAC), Staff presented their letter and requested that the TCRA Board authorize HAC to remove and preserve the two storefront murals before the TCRA-owned property is redeveloped.

MOTION: Alex Hogan moved to approve TCRA staff to respond to HAC's request in support of their efforts to remove and preserve the murals. Zac Schon seconded the motion, which received a unanimous passing vote.

FOR THE GOOD OF THE ORDER

ANNOUNCEMENT: Jacinda Steltjes announced the release of the Affordable Housing NOFA and reminded the Board of the evaluation process.

MOTION: Jason Kors moved to excuse the absent TCRA members from the meeting. Alex Hogan seconded the motion, which passed unanimously.

ADJOURN

The meeting adjourned at 8:39 a.m.

Respectfully Submitted,

Dan Montopoli

Tacoma Community Redevelopment Authority
Check Register
June 01-30, 2018

Check Number	Program Code	Effective Date	Payee	Transaction Description	Check Amount
0628VAL	20	6/28/2018	Umpqua Bank	UMPQUA Wire Fee - 1st Loan Draw	15.00
16664	15	6/14/2018	Highmark General Contractors	1015 S. 40th St. -Rehabilitation Cost	18,232.59
16665	10	6/20/2018	FISERV DIRECTSOURCE	Coupon Books	27.16
16666	10	6/20/2018	Stewart Title Company-Puget	Recording Fees	79.40
16667	10	6/20/2018	EQUIFAX INFORMATION SVCS LLC	Credit Report	166.02
16668	20	6/28/2018	Rafn. Company	Valhalla Hall - Cosntruction Cost	18,420.04
16668	20	6/28/2018	Rafn. Company	Valhalla Hall - Cosntruction Cost	200,977.00
16669	20	6/28/2018	Matamatanonofu Porter	Art Installation	1,600.00
16670	10	6/28/2018	TACOMA NEWS INC.	Advertising	360.88
16671	30	6/28/2018	Jackson Christoffell	Christoffell Jackson - Overpayment	15.85
16672	20	6/28/2018	SMR Architects	Valhalla Hall - Architect Fees	604.28
16673	20	6/28/2018	Rafn. Company	Valhalla Hall - Construction Cost	137,346.15
16674	20	6/28/2018	SURVEY INC.	Valhalla Hall - Field Inspection Fee	450.00
16675	15	6/28/2018	N.L. Olson & Associates, Inc.	1015 S. 40th St - Engineering Fee	1,190.00
2844	70	6/6/2018	Nesai Media Company	Markerting Fee	200.00
ACH618	70	6/7/2018	Kuljam Ins. & Consulting LLC	Underwrting Consultant Mktg	1,560.00
ACH619	10	6/28/2018	CITY TREASURER	Admin Expense - May 2018	481.79
ACH619	10	6/28/2018	CITY TREASURER	Admin Expense - May 2018	1,210.86
ACH619	80	6/28/2018	CITY TREASURER	Admin Expense - May 2018	980.22
ACH619	10	6/28/2018	CITY TREASURER	Admin Expense - May 2018	1,297.35
ACH619	10	6/28/2018	CITY TREASURER	Admin Expense - May 2018	1,297.35
ACH619	35	6/28/2018	CITY TREASURER	Admin Expense - May 2018	53.54
ACH620	70	6/28/2018	CITY TREASURER	Admin Expense - May 2018	5,163.19
ACH621	74	6/28/2018	CITY TREASURER	Admin Expense - May 2018	1,268.52
WIRE83-84	35	6/20/2018	FIRST AMERICAN TITLE INSURANCE	MSC Colvos Terrace LLC - 435 S Fawcett Ave- Acquisition	400,000.00
WIRE85	60	6/28/2018	STEWART TITLE COMPANY	Pavone, Justin - 8412 E. F St - Closing cost loan	4,155.76
WIREFEE83-84	10	6/20/2018	HERITAGE BANK	Wire Fee	50.00
WIREFEE85	60	6/28/2018	HERITAGE BANK	Wire Fee	<u>25.00</u>

Report Total 797,227.95

Exh. 2

Tacoma Community Redevelopment Authority
Check Register
July 01-31, 2018

Check Number	Program	Effective Date	Payee	Transaction Description	Check Amount
16676	15	7/12/2018	Highmark General Contractors	1015 S. 40th St. - Construction Cost	11,699.69
16677	15	7/12/2018	PUGET SOUND ENERGY	1015 S. 40th St - Utility	63.56
16678	10	7/12/2018	EQUIFAX INFORMATION SVCS LLC	Credit Report	85.76
16679	35	7/12/2018	Dynamic Language	Affordable Housing Strategy - Language Translation	1,043.64
16680	20	7/12/2018	Professinal Svc Industries Inc.	Valhalla Hall - Special Inspection	255.00
16681	20	7/12/2018	Rafn. Company	Valhalla Hall - Construction Cost	250,627.71
16682	35	7/26/2018	STATE AUDITOR'S OFFICE	SAO Audit	1,307.63
16683	10	7/26/2018	STATE AUDITOR'S OFFICE	SAO Audit	1,307.63
16683	10	7/26/2018	STATE AUDITOR'S OFFICE	SAO Audit	2,615.25
16683	10	7/26/2018	STATE AUDITOR'S OFFICE	SAO Audit	2,615.25
16684	10	7/26/2018	EISENHOWER & CARLSON, PLLC	Legal Fees	1,566.43
2846	70	7/26/2018	STATE AUDITOR'S OFFICE	SAO Audit	2,615.25
4010	74	7/26/2018	STATE AUDITOR'S OFFICE	SAO Auditor	2,615.25
ACH622	21	7/5/2018	CITY TREASURER	5231 S. Tacoma Way - Surface Water	73.26
ACH623	15	7/12/2018	CITY TREASURER	1026 S. Sprague - Surface Water	73.65
ACH623	35	7/12/2018	CITY TREASURER	824 MLK Jr. Way - Surface Water	123.06
ACH624	10	7/26/2018	CITY TREASURER	Admin Expense - June 2018	286.35
ACH624	10	7/26/2018	CITY TREASURER	Admin Expense - June 2018	1,470.33
ACH624	80	7/26/2018	CITY TREASURER	Admin Expense - June 2018	749.58
ACH624	10	7/26/2018	CITY TREASURER	Admin Expense - June 2018	1,210.86
ACH624	10	7/26/2018	CITY TREASURER	Admin Expense - June 2018	1,210.86
ACH624	35	7/26/2018	CITY TREASURER	Admin Expense - June 2018	31.83
ACH625	70	7/26/2018	CITY TREASURER	Admin Expense - June 2018	4,918.35
ACH626	74	7/26/2018	CITY TREASURER	Admin Expense - June 2018	1,095.54
Report Total					<u>289,661.72</u>

Exh. 2a

CONFIDENTIAL



City of Tacoma

Memorandum

TO: Tacoma Community Redevelopment Authority
FROM: Gloria Fletcher, Business Development Manager
SUBJECT: **Former Starlite Lounge property**
5231 S Tacoma Way, Tacoma WA 98409
DATE: August 9, 2018

SUMMARY:

The purpose of this memo is to:

1. Provide an update of the recent appraisal report for the former Starlite Lounge.
2. Recommend that the property be listed for sale.

PROJECT HISTORY:

This property, formerly known as the Starlite Lounge, is located in the South Tacoma business district and was purchased by TCRA in 2016 using CBDG funds. TCRA intended to convert this former restaurant/lounge into an artist co-working space but that project was never initiated. Since January 2018 there have been ongoing efforts to determine the most viable way to move forward on this redevelopment and, as part of this process, the TCRA Board provided approval in May to hire an appraiser to determine the current, as-is, fair market value of the property.

CURRENT STATUS

The appraisal, completed by CBRE Valuation and Advisory Services, determined that the estimated value of the property in its current condition was \$100,000 as of June 1, 2018. This amount is less than half of the sales price paid in August of 2016, and is based on the appraiser's opinion that there is no contributory value of the improvements to the property. Staff has reviewed both the 2016 and the 2018 and find that both appraisals used consistent methodology to support their respective opinions. However, the 2016 appraiser made an extraordinary assumption that the buildings systems were in working order and required no repairs. The 2018 appraiser did not make such an assumption and was provided with our recent feasibility estimates.

The current market value was used to update our feasibility study. Staff also adjusted some of the construction estimates and market rents to inform the following alternatives analysis:

- Maintain ownership and lease the property either as-is or with build-outs to either a cold or warm shell.
 - No tenant improvement reserves were contemplated for either of the build-out scenarios and an \$8 per square foot allowance was reserved for an as-is lease.
 - Lease rates were based on staff opinion of market rents for the respective conditions.
- Sell the property either as-is or after repairing the building systems to working order.

A summary of that analysis is attached. It should be noted that for the purposes of evaluating these various scenarios, the as-is price was based on the appraised value for an immediate sale and using an 8% capitalization rate for expected net operating income for the improved conditions.

Exh. 3

RECOMMENDATION:

Staff recommends selling the property. The viability of maintaining a long term lease on this property is questionable since TCRA does not typically operate commercial spaces and currently does not have adequate staff resources to do so. The original potential tenant, Spaceworks, had stated that it could manage the property via a sublease, but that would reduce the rental income and would still require an upfront investment in improvements. Other factors include the jobs requirements for using CDBG funds, the considerable risk of leasing the property 'As-Is', and the negative cash position for several years will not provide a desirable return on a long term capital investment. Finally, holding the building and having it remain unoccupied in its current condition does not align with TCRA's mission.

Selling the property would eliminate the long term risk of ownership and allow TCRA to reinvest the funds in more viable projects. Marketing the property As-Is, at a price that reflects some contributory value for the improvements, would allow us to engage in negotiations with potential buyers and have some flexibility in determining the final outcome of the transaction and, ultimately, the long term property use. Because the current appraisal reflects a vacant land value, staff recommends that the property be marketed for \$200,000 to allow for some contribution of the existing improvements.

**STARLIGHT LOUNGE
REDEVELOPMENT FEASIBILITY SUMMARY**

Site Area 5,500
Building Area (Rentable Sq. Ft.) 4,873

Use of Funds	Immediate "As-Is" Sale	New Capital Investment		
		Updated Systems and HazMat Abatement	Cold Shell Build-Out	As Is
Acquisition and Holding Costs	\$250,500	\$250,500	\$250,500	\$250,500
Rehabilitation Costs		\$341,000	\$494,526	\$0
Tenant Improvements and Lease-up Costs		\$5,000	\$5,000	\$43,984
TOTAL PROJECT COSTS	\$250,500	\$596,500	\$750,026	\$294,484

Operating Summary			
	Rent / SF		
		\$7.00	\$9.00
			\$3.00
GROSS REVENUE		\$34,111	\$43,857
Vacancy Rate (10%)		(\$3,411)	(\$4,386)
EFFECTIVE GROSS RENT (EGR)		\$30,700	\$39,471
EGR/SF		\$6.30	\$8.10
EXPENSES			
General Expenses (\$1.82/SF)		(\$8,869)	(\$8,869)
Operating Reserve		\$0	\$0
Replacement Reserve		(\$2,000)	(\$10,000)
TOTAL EXPENSES		(\$10,869)	(\$18,869)
NET OPERATING INCOME		\$19,831	\$20,602
CASH-ON-CASH RETURN		3.32%	2.75%

INVESTMENT SUMMARY				
TOTAL PROJECT COSTS	\$250,500	\$596,500	\$750,026	\$294,484
TOTAL NEW PROJECT COSTS		\$346,000	\$499,526	\$43,984
FAIR MARKET VALUE (FMV)	\$100,000	\$247,888	\$257,531	(\$71,397)
Cap rate = 8.0%				
FMV-PROJECT COSTS	(\$150,500)	(\$348,612)	(\$492,496)	(\$365,881)

Location and Exterior Photo
5231 S. Tacoma Way

