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**SEATTLE HOUSING AUTHORITY  
REGULAR BOARD BRIEFING**

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<b>LOCATION</b>	<b><u>Virtual via Microsoft Teams</u></b> (206) 257-3799; Phone Conference ID 869 252 502# <a href="#">Click here to join the meeting</a>	
	<b><u>In person listening option: SHA Central Office</u></b> 101 Elliott Ave W, 1 <sup>st</sup> Floor Tahoma Conference Room Seattle, WA 98119	
<b>DATE</b>	March 11, 2024, 4:30pm - 6:00pm	
<b>BOARD ATTENDEES</b>	Paul Purcell, Board Chair Gerald Smiley, Vice-Chair Sally Clark Robert Crutchfield	Rita Howard Dr. Paula Houston Twyla Minor
<b>DISTRIBUTION</b>	SHA Board of Commissioners; Cabinet	

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**Commissioner Roll Call**

**AGENDA:**

**Briefing Items**

- **Resolution No. 5280:** Verse Acquisition (20 min)
- **Resolution No. 5281:** 101 Elliott Acquisition (20 min)

Commissioners roll call was given at 4:30 p.m. The Briefing was held via teleconference with an in-person option at the SHA Central office. Commissioners Crutchfield, Houston and Smiley were absent from the Briefing.

## **Review 03/18/24 Regular Board Meeting Agenda and Updates**

### **Resolution No. 5280: Verse Acquisition**

Executive Director Rod Brandon introduced Senior Program Manager James Mayton to present Resolution No. 5280.

SHA strategic priorities for acquisitions criteria were brought to the Board in 2022, which includes serving more people, while still maintaining the financial strength of the agency. To focus on the preservation of existing affordable housing stock in the city, while prioritizing properties with residents at moderate/higher risk of displacement and properties with feasible and efficient management plans. The Verse property meets these acquisition criteria.

Verse apartments, built in 2004, are located in the Central District, at the SW corner of 23rd and Jackson. It contains 98 total residential units (21 – Studio units, 37 – 1-bedroom units, and 40 – 2-bedroom units), four commercial suites/spaces, and parking stalls (116 underground, 9 on the surface.) Commercial tenants currently include the Fish Guys, CHASE Bank, and an Immigration Law Office. This property would add 40 large 2-bedroom units to SHA stock, providing ability to serve small families, and SHA ownership would stabilize rents just below 80% AMI. Options for future subsidy placement/repositioning would deepen affordability, as well. We would be acquiring this property in a way that preserves SHA's financial strength, the negotiated sale price of \$28 million represents about a 30% discount compared to historical valuations for apartment properties and this purchase price is 30% below what the King County assessed value for 2023 was. The market for SHA as a buyer of multifamily properties is great at the moment, better than it's been about 15 years.

We also wanted to preserve affordable housing when we can, and this property includes seven rent and income restricted studio units that will have restrictions that lapse in 2032. Not only can SHA prevent those restrictions from lapsing at that point, but our ownership in this property will also stabilize rents in a way that a potential for profit buyer wouldn't. Many for profit buyers would implement a value-add program at a property with this great of a location, and that could result in rent lists of a few \$100 per month. That would be likely to displace a good number of households, and that displacement piece is an equity consideration for acquisitions program. We know that the Central district has been experiencing higher rates of displacement for decades now, and by prioritizing properties in communities like the Central District that have moderate or higher displacement risk, we can really do even more good with our acquisitions program.

Mr. Mayton presented a slide which presents a financial summary of the impacts that acquiring verse would have on SHA's financial position in year one. Immediate Capital

Improvements in Year 1 include a new roof coating to extend roof life by 15-20 years (\$400K), ADA Upgrades (\$300K), and commissioning an As-Built MEP plan set (\$50K). The \$1.4M in Year 1 cash flow will cover the cost of these improvements.

To recap the acquisition process, back in November, staff convened internally and decided to explore acquiring this property. We submitted a formal offer in the form of a letter of intent and ultimately the seller selected SHA's offer. In December, we negotiated a purchase and sale agreement outlining what SHA would be able to do as part of our due diligence process and we kicked that off towards the end of December. In recent months, Mr. Mayton has been working with various consultants on an environmental site assessment, legal and titled due diligence, work physical due diligence, including a very robust physical condition, assessment of the property and property management, due diligence as well working with various partners to explore what it would look like for SHA to asset manage this new property. We are currently negotiating third party management agreements with two different companies, as well.

**Resolution No. 5281: 101 Elliott Acquisition**

Mr. Brandon introduced Asset Management Deputy Director Xuan Che-Osser to present Resolution No. 5281 to the Board.

SHA is currently leasing the property located at 101 Elliot Ave W, Seattle, Washington as office space, serving as Central Office for SHA operations. Built in 1986, this building is made up of 5-stories, and 103,610-rentable square feet, (1.06 acres whole property). SHA became aware that the landlord/owner of the property was interested in pursuing a sale of the property, so staff with the services of Coldwell Banker Real Estate ("CBRE") performed an analysis of the acquisition costs and long-term benefits of acquiring this asset. The analysis revealed that SHA would recover this investment over a 15-year period. SHA ownership frees up funds that would have gone to rent payment for other uses.

SHA (through CBRE) approached the owner (Credit Suisse), and a Letter of Intent (LOI) agreeing on a purchase price of \$39.5M and outlining other general terms was executed December 4, 2023. The purchase price is below the current market evaluation for the property, coming out as \$388/square feet.

The LOI contemplates the quick execution of a Purchase and Sale Agreement (PSA). The LOI also contemplates the completion of Due Diligence within 60 days. In order to complete Due Diligence in a timely fashion, SHA retained the services of CBRE to assist in this process. Due Diligence has revealed a number of issues, none of which were completely unknown to SHA and none of which are sufficiently significant to cause SHA to issue a Notice of Termination. The Seller is pushing to complete this transaction in a timely manner and has set a goal date of March 27, 2024.

After further discussion, Commissioner Purcell then asked the Board if there were any questions, or comments pertaining to the Briefing. After hearing none, Commissioner Howard moved for adjournment, that being seconded by Commissioner Clark. The March 11, 2024, Regular Board Briefing was adjourned at 5:40 p.m. after a vote of the Board present (4 yes; 0 no; 0 abstentions.)

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Secretary-Treasurer