



City of Tacoma

Resolution No.: _____

Meeting Date: June 10, 2025

**Contract and Award Letter
Purchase Resolution — Exhibit "A"**

TO: Board of Contracts and Awards
FROM: Tanja Carter, Director, Community and Economic Development Department
Felicia Medlen, Housing Division Manager, Community and Economic
Development Department
COPY: City Council, City Manager, City Clerk, EIC Coordinator, LEAP Coordinator, Heidi
Burbidge, Housing Program Manager, and Hailey Erichsen, Finance/Purchasing
SUBJECT: Contract for a Connecting Housing and Infrastructure Program (CHIP) Grant, Not
Practical to Bid, Contract No. SR5146078094 – June 10, 2025 City Council
DATE: May 2, 2025

RECOMMENDATION SUMMARY: The Community and Economic Development (CED) Department recommends a contract be awarded to Mercy Housing Northwest, Seattle, WA, in the amount of \$1,950,000, budgeted from the 733000 Affordable Housing Development to pay partial costs for water, sewer, and stormwater infrastructure improvements as part of the development of 129 new affordable housing units at the Mercy Aviva project at James Center North within a Community Crossroads neighborhood of Tacoma, with an initial contract term of December 5, 2024 to June 30, 2027, subject to reappropriation through June 30, 2029. The contract is budgeted from a CHIP grant award designated by the Washington State Department of Commerce (Commerce) to the project.

STRATEGIC POLICY PRIORITY:

- Ensure all Tacoma residents are valued and have access to resources to meet their needs.

BACKGROUND: The 2021 Washington State Legislature created CHIP to facilitate the development of affordable housing construction by off-setting the costs of capital expenditures such as water, sewer, and stormwater improvements. The Capital Budget for the State of Washington included funds solely for grants to local governments and public utility districts for system development charges and utility improvements for new affordable housing projects that serve and benefit low-income households. Program funds are intended to be supplemental project financing for necessary utility connection costs for affordable housing projects in cities and counties that passed a sales and use tax for affordable housing or a housing levy. Applicants for the CHIP program must be a city, county, or public utility district, applying in coordination with the developer of a multi-unit affordable housing project.

Selection of projects for CHIP Awards is done by Commerce for each jurisdiction including Tacoma. CHIP funding passes through the City to specific projects that have already been selected by Commerce. The City does not prescreen applications—the CED Department accepts completed applications from any organization who wants to apply for CHIP funds. All applications received by CED are submitted to Commerce for screening and selection.

Grant funds in the amount of \$1,950,000 were awarded by Commerce pursuant to an application from Mercy Housing that was transmitted by the City. Funds from the Washington State 2023-2025 biennium budget will be made available as a pass-through grant specifically to pay for water, sewer and stormwater infrastructure improvements for the project to cover eligible costs incurred during the applicable contract period. The CED Department will administer the funds through grant agreements between the City and the project developer, with drawdowns of



funds available after each stage that project infrastructure improvements are completed and approved.

The project received its building permit on November 7, 2024 and has also recently received a sewer extension permit. Project construction started in the fourth quarter of 2024.

ISSUE: CHIP funds have been awarded to the City as a pass-through grant from Commerce, from the Growth Management Services unit using Washington State 2023-2025 biennium budget funds to pay specifically for water, sewer and stormwater infrastructure improvements, and will cover eligible costs incurred during the applicable contract period. The CED Department will administer the funds through a grant agreement between the City and the project developer, with drawdowns of funds available after each stage of project infrastructure improvements is completed and approved.

ALTERNATIVES: The alternative to awarding these funds to Mercy Housing would be to refuse the funding award made by Commerce directly for their project in accordance with the CHIP program. This alternative would require the City to forego needed resources being made available by the state government and targeted by Commerce to infrastructure costs associated with affordable housing. That alternative would either shift those costs to local sources or prevent the new affordable housing from being produced.

COMPETITIVE ANALYSIS: A competitive procurement process took place at the state level where funding originated to determine project selection, so a local competitive process is neither necessary nor practicable.

CONTRACT HISTORY: New contract.

SUSTAINABILITY: By including the water, sewer and stormwater improvements as a part of the project financing commitments, the CED Department is taking into account the City's vision and definition of sustainability as described in City Council Resolution No. 38247 including protection of natural resources and ecological quality.

EQUITY IN CONTRACTING (EIC) COMPLIANCE: Not applicable - EIC Exception: Not Practicable to Bid Waiver

LOCAL EMPLOYMENT AND APPRENTICESHIP TRAINING PROGRAM (LEAP) COMPLIANCE: Not applicable

DISADVANTAGED BUSINESS ENTERPRISE: Contracting for the referenced project is in compliance with the SBE regulation requirements per the grant funding agreement which initiated this project work.

SURPLUS DECLARATION: Not applicable



FISCAL IMPACT:

EXPENDITURES:

| FUND NUMBER & FUND NAME | COST OBJECT (CC/WBS/ORDER) | COST ELEMENT | TOTAL AMOUNT |
|-------------------------|-------------------------------|-----------------|--------------------------|
| 1195-AHF | GRT-00562-xx-xx | VARIOUS | \$1,950,000 |
| TOTAL | | | Up to \$1,950,000 |

REVENUES:

| FUNDING SOURCE | COST OBJECT (CC/WBS/ORDER) | COST ELEMENT | TOTAL AMOUNT |
|------------------------|-------------------------------|-----------------|----------------------------|
| WA St Dept of Commerce | GRT-00562-xx-xx | 4334360 | (\$1,950,000) |
| TOTAL | | | Up to (\$1,950,000) |

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: \$1,950,000

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? No

IF EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED.

These are pass-through grants funds being made available by the Washington State Department of Commerce after the City's budget was adopted. No budget modifications are required.