



TACOMA HOUSING AUTHORITY

RESOLUTION 2007-12-12(2)

DATE: December 10, 2007

TO: Board of Commissioners

FROM: Michael Mirra, Executive Director

RE: Infrastructure Improvement Revenue Bond Issue

Background

After Quadrant Homes informed THA that it would not be performing its contract for Salishan Area 3, THA decided to act as developer for that project. In order to finance the infrastructure associated with Area 3 and keep the Salishan project on schedule, THA sought proposals and letters of commitment from prospective lenders to serve as the infrastructure construction lender for this work.

THA staff reviewed the proposals and found Citicorp Municipal Mortgage, Inc. ("Citicorp") to be the best suited to meet THA's financial needs. The Board authorized the Executive Director to negotiate with Citicorp (Resolution 2007-8-8(1)) on the following financial terms:

- Citicorp will lend up to \$20 million for infrastructure construction, not to exceed 70% of appraised market value based on an as-improved appraisal.
- The terms of the infrastructure construction loan are 36 months at 5.5%, based on the rate in August 2007. The basis for the rate is the tax exempt bond rate. The origination fee is \$10,000. Additional fees include legal (\$40,000), environmental review (\$2,000) and appraisal (\$9,000) for a total of \$51,000.
- THA will need to provide an interest reserve in the approximate amount of \$1,680,000 which will be taken out of loan proceeds and held with the bank. Citicorp will hold 10% retention on the construction contract.
- THA will need to provide a completion guarantee. The loan is recourse during the term of the construction loan. A First Deed of Trust on the homeownership lots will be granted for the term of the loan. Citicorp will need to approve the infrastructure contractor and approve the home builders in Area 3.

Citicorp performed its due diligence for the project. The appraisal for the Area 3 homeownership lots did not result in a high enough value to cover the entire cost of the Area 3 infrastructure project. This created a gap in the needed financing. As a result, in order to obtain sufficient funding for the project, THA and Citicorp reached a tentative agreement on following financial terms:

- Citicorp will increase its loan amount from 70% of the appraised value of the improved homeownership lots to 85% of the appraised value. The appraised value of the homeownership lots is \$15,530,000, 85% of which is \$13,200,500. Citicorp will agree to purchase a total of \$13,200,000 in tax exempt bonds.
- Citicorp has indicated that their agreement to purchase \$13,200,000 of tax exempt bonds will be conditioned upon the provision of a guarantee of 25% of that amount (\$3,300,000) by THA. This guarantee is to be provided by pledging up to \$3,300,000 of THA's General Revenues to the payment of the bonds, and may also include an agreement by THA not to incur new senior debt with respect to revenues derived from, and/or security interests in certain of THA's non public housing properties - Wedgewood, Stewart Court and the non-public housing scattered sites. If THA is ever called upon to fulfill this guarantee it can do so by borrowing against the excess equity in these properties. The rental income from these properties would support this debt.
- The balance of the funds will come from reimbursements already committed from the City of Tacoma for water and sewer work and THA non-federal sources including program income (loan repayments) and local funds (rental income from non-public housing units).
- The interest rate will be approximately 6.25%, based on the current indicative rate on tax exempt bonds.

Recommendation

Approve resolution 2007-12-12(2), which amends and supplements Resolutions 2007-8-8(1) and 2007-10-24(1), (a) authorizing the Executive Director to negotiate with Citicorp and, if the negotiations are successful, to execute the loan commitment letter from Citicorp, which includes a financial guarantee, for the infrastructure construction loan for Salishan Phase II, Area 3 on the terms stated above as modified herein; (b) providing for a pledge of up to \$3,300,000 of THA's General Revenues for THA's Infrastructure Improvement Revenue Bonds; (c) authorizing the Executive Director to negotiate with Citicorp and, if required as a result of those negotiations, to covenant not to pledge certain portions of THA's General Revenues related to THA's non-public housing properties to the payment of new obligations on a priority over the payments to be made on the Bonds and/or to grant a new security interest in certain non public housing properties.



TACOMA HOUSING AUTHORITY

RESOLUTION 2007-12-12(2)

(INFRASTRUCTURE IMPROVEMENT REVENUE BONDS)

A RESOLUTION amending and supplementing Resolution 2007-8-8(1) and Resolution 2007-10-24(2) to provide for a pledge of up to \$3,300,000 of the Authority's General Revenues as security for the Authority's Infrastructure Improvement Revenue Bonds.

Whereas, the Board of Commissioners (the "Board") of the Housing Authority of the City of Tacoma (the "Authority") has adopted Resolution 2007-8-8(1) authorizing the Executive Director to negotiate with Citicorp regarding the financing of the construction of infrastructure improvements on property owned by the Authority, as part of the Salishan redevelopment project (the "Project") and Resolution 2007-10-24(1), providing for the issuance of the Authority's Infrastructure Improvement Revenue Bonds, Series 2007 (the "Bonds") to finance the Project; and

Whereas, it is anticipated that Citicorp Municipal Mortgage, Inc. will offer to purchase the Bonds in a principal amount of \$13,200,000 on the terms set forth in Resolution 2007-10-24(1), on the condition that the Authority pledge up to \$3,300,000 of its General Revenues to the payment of principal of and interest on the Bonds; and

Whereas, it is in the best interest of the Authority to issue the Bonds to finance the Project and to accept Citicorp Municipal Mortgage, Inc.'s offer to purchase the Bonds on the terms set forth in Resolution 2007-10-24 as modified herein, with such changes as the Executive Director of the Authority (the "Executive Director") may deem appropriate;

Be it Resolved by the Board of Commissioners of the Housing Authority of the City of Tacoma, Washington that:

1. **Definitions.** As used in this resolution, the following words have the following meanings:

"General Revenues" means all revenues (other than Sale Proceeds) of the Authority from any source, but only to the extent that those revenues are available to pay debt service on the Bonds and are not now or hereafter pledged, by law, regulation, contract, covenant, resolution, deed of trust or otherwise (including restrictions relating to funds made available to the Authority under the U.S. Housing Act of 1937), solely to another particular purpose.

"Security Documents" means, collectively, the Deed of Trust, the Environmental Indemnity Agreement, the Additional Assurance Documents and the Assignments.

All other capitalized terms used but not defined in this Resolution shall have the meanings assigned to them in the Resolution 2007-10-24.

2. Security for the Bonds. Section 4 of Resolution 2007-10-24 is amended to read as follows:

The Bonds shall be secured by a pledge of the Sale Proceeds received by the Authority, by amounts held by the Trustee under the Indenture; the General Revenues of the Authority up to a maximum amount of \$3,300,000, subject to the parity lien of other obligations; and by other funds and assets, all as set forth in the Indenture. Additionally, the Bonds shall be secured by the Security Documents.

The Bonds shall not be a debt of the City of Tacoma, the State of Washington or any political subdivision thereof and the Bonds shall so state on their face. Neither the City of Tacoma, the State of Washington nor any political subdivision thereof (except the Authority from the sources identified herein and in the Indenture and the Security Documents) shall be liable for payment of the Bonds nor in any event shall principal of, premium, if any, on and interest on the Bonds be payable out of any funds or assets other than those pledged to that purpose by the Authority herein and in the Indenture. The Bonds shall be secured solely by such funds and assets, and the owners of the Bonds shall not have recourse to any fund of the Authority other than the funds established and pledged to the Bonds under the Indenture, or to any receipts, revenues or properties of the Authority other than payments under the terms of the Indenture. The Authority has no taxing power.

Neither the Authority (except as and to the extent set forth in the Security Documents), nor any of the Commissioners, officers or employees of the Authority shall be personally liable for the payment of the Bonds.

Resolution 2007-10-24 will remain in full force and effect in all other respects.

3. Pledge of Certain Properties and Revenues. The Executive Director is authorized to negotiate with Citicorp Municipal Mortgage, Inc. and its representatives regarding the pledge of revenues and security interests to the payment of the Bonds. If, as a result of these negotiations, the Executive Director determines that it is in the best interest of the Authority, the Executive Director and other appropriate Authority officials are authorized to covenant, on behalf of the Authority, that while the Bonds are Outstanding under the Indenture, the Authority will not make any new pledges of the Authority's General Revenues derived from certain of the Authority's non-public housing properties to be designated by the Executive Director (the "Non-Public Housing Properties"), which may include, but are not limited to, Wedgewood, Stewart Court and the non-public housing scattered sites, to the payment of other obligations where such payments would have a priority over the payments to be made on the Bonds, and that the Authority will not transfer any interest in the Non-Public Housing Properties or the revenues derived from such properties as long as the Bonds are Outstanding.

Furthermore, if, as a result of negotiations with Citicorp Municipal Mortgage, Inc., the Executive Director determines that it is in the best interest of the Authority, the Executive Director and other appropriate officials of the Authority are authorized to grant a security interest in all or a portion of designated Non-Public Housing Properties or the revenues derived from such properties, but only if such grant is not prohibited by the existing agreements relating to the Non-Public Housing Properties.

The Executive Director is authorized and directed to do everything necessary in connection with the execution and delivery of the documents evidencing any such grant of a security interest in, and/or covenant not to create a new pledge of General Revenues derived from, the Non-Public Housing Properties (“Additional Assurance Documents”).

4. Ratification and Confirmation. Any actions of the Authority or its officers prior to the date hereof and consistent with the terms of this resolution are ratified and confirmed.
5. Effective Date. This resolution shall be in full force and effect from and after its adoption and approval.

Adopted: December 12, 2007

Greg Mowat, Chairman

CERTIFICATE

I, the undersigned, the duly chosen, qualified and acting Secretary-Treasurer and Executive Director of the Housing Authority of the City of Tacoma (the "Authority") and keeper of the records of the Authority, CERTIFY:

1. That the attached Resolution No. 2007-12-12(2) (the "Resolution") is a true and correct copy of the resolution of the Board of Commissioners of the Authority, as adopted at a special meeting of the Authority held on December 12, 2007, and duly recorded in the minute books of the Authority.

2. Written notice specifying the time and place of the special meeting and noting the business to be transacted was given to all members of the Board by mail or by personal delivery at least 24 hours prior to the special meeting, a true and complete copy of which notice is attached hereto as Appendix 1.

3. Written notice of the special meeting was given to each local radio or television station and to each newspaper of general circulation that has on file with the Authority a written request to be notified of special meetings or to which such notice is customarily given.

4. That such meeting was duly convened and held in all respects in accordance with law, and, to the extent required by law, due and proper notice of such meeting was given; that a quorum was present throughout the meeting and a majority of the members of the Board of Commissioners of the Authority present at the meeting voted in the proper manner for the adoption of the Resolution; that all other requirements and proceedings incident to the proper adoption of the Resolution have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this Certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this 12th day of December, 2007.

Michael Mirra, Executive Director of the Authority