



TACOMA HOUSING AUTHORITY

RESOLUTION 2009-8-26 (3)

DATE: August 26, 2009
TO: Board of Commissioners
FROM: Michael Mirra, Executive Director
RE: Tax Credit Investor Selection for Salishan Seven

Background

On July 14, 2009, THA issued a Request for Proposals for a Tax Credit Investor Partner for the financing of Salishan Seven. THA mailed thirty (63) RFP packages to prospective Tax Credit Investors and Syndicators. The Authority received six (6) proposals; all were responsive.

The day after the proposals were due to THA, the Washington State Housing Finance Commission (WSHFC) informed THA staff that they were suspending Round 2 of the 2009 tax credit competition. In accordance with the stated American Recovery and Reinvestment Act (ARRA) Tax Credit Program guidelines, WSHFC has the ability to suspend the allocation of tax credits once it has allocated 60% of the 2009 per capital authority. As a result, WSHFC has decided to suspend Round 2 indefinitely. To date, WSHFC has allocated 72% of the 2009 per capital authority and after a thorough analysis, WSHFC determined that it now has an opportunity to utilize the "exchange" provision under ARRA and trade-in all remaining credits for a stated per dollar of credit determined by the Treasury. This will provide the greatest opportunity for WSHFC to satisfy the policy objectives of the program. As a result, in lieu of a tax credit allocation, WSHFC will provide \$12,003,050 of ARRA funds in Tax Credit Assistance Program (TCAP) dollars to Salishan Seven, subject to ARRA program guidelines.

A committee consisting of THA staff reviewed the proposals from Investors and the proposal provided by the Finance Commission and determined that the deal being offered by the Commission was superior to the other proposals received. The intent letter and draft term sheet is attached to this resolution.

Recommendation

Approve resolution 2008-08-26(3) authorizing the Executive Director to negotiate and execute the commitment letter from the WSHFC for the TCAP/ARRA funds to be allocated to Salishan Seven.



TACOMA HOUSING AUTHORITY

RESOLUTION 2009-8-26 (3)

TAX CREDIT INVESTOR SELECTION FOR SALISHAN SEVEN

Whereas, The Housing Authority of the City of Tacoma (THA) issued an RFP on July 14, 2009 soliciting offers for the purchase of the Low Income Housing Tax Credits (LIHTC) to be allocated to Salishan Seven;

Whereas, Sixty-three (63) RFP packages were mailed out to prospective investors and syndicators;

Whereas, Six proposals (6) deemed responsive were evaluated by a review selection committee;

Whereas, Subsequent to the proposals being due to THA, the Washington State Housing Finance Commission (WSHFC) suspended the 2009 Tax Credit Allocation process;

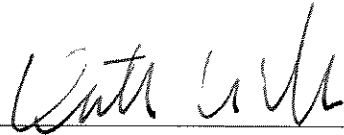
Whereas, The WSHFC has provided THA with a intent letter for \$12,003,050 in Tax Credit Assistance Program (TCAP) funds as authorized by the American Recovery Reinvestment Act (ARRA) of 2009 to replace the tax credit equity in the project;

Whereas, The offer from WSHFC was determined to be the most advantageous to the project and to THA; and

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

The Executive Director has the authority to negotiate and execute the commitment letter and terms from Washington State Housing Finance Commission for \$12,003,050 in TCAP/ARRA funds in lieu of tax credits for Salishan Seven. .

Approved: August 26 2009



Ken Miller, Chairman



WASHINGTON STATE
HOUSING FINANCE COMMISSION

Karen Miller
Chair

Mr. Kim Herman
Executive Director

August 21, 2009

Ms. Janet Rice
Tacoma Housing Authority
902 South L Street
Tacoma, WA 98405

Re: Salishan Seven, #09-02

Dear Ms. Rice:

The Washington State Housing Finance Commission (WSHFC) has been asked to provide a letter stating its intention to award an ARRA subsidy to the Salishan Seven project. Salishan Seven is a *first priority* project in regards to allocation of the ARRA subsidy, and we estimate that this project will require \$12,003,050 in funds.

According to the stated ARRA Tax Credit Program guidelines, WSHFC has the ability to suspend the allocation of tax credits once it has allocated 60% of the 2009 per capital authority. To date, WSHFC has allocated 72% of the 2009 per capital authority. After a thorough analysis, WSHFC has determined that the "exchange" provision under ARRA now provides the greatest opportunity to satisfy the policy objectives of the Program. Therefore, we have decided to suspend the allocation of 9% tax credits. In lieu of a tax credit allocation, WSHFC will provide \$12,003,050, of ARRA funds, in TCAP dollars, to Salishan Seven, subject to ARRA program guidelines.

The terms of this commitment are outlined in the attached *sample* Tax Credit Assistance Program Term Sheet.

We look forward to assisting you in the development of this Project.

Very truly yours,

A handwritten signature in black ink, appearing to read "S. Walker", written over the typed name.

Steve Walker, Director
Tax Credit Division



Tax Credit Assistance Program Term Sheet

Borrower

Name: Salishan Seven LLC
Address: 902 South "L" St,
City, State, Zip: Tacoma, WA 98405
Contact Person: Ms. Roberta Schur
Phone: 253-207-4467
Email: rschur@tacomahousing.org

Project

Name: Salishan Seven
Address: 1728 East 44th,
City, State, Zip: Tacoma, WA 98404

TCAP Loan

TCAP Loan Number: TC# 09-02-TCAP
TCAP Loan Amount: \$12,003,050
Interest Rate (%): 0%
Term: 40 years
Repayment: Payment deferred until maturity
Lien Priority Position: *to be determined prior to closing*
Use of Loan Proceeds: To pay for capital investment in an eligible LIHTC Project

Requirements

Capitalized Operating Reserves:	No TCAP specific Requirement
Capitalized Replacement Reserves:	No TCAP specific Requirement
Annual Replacement Reserves:	No TCAP specific Requirement
Deferred Developer Fee:	No TCAP specific Requirement

Low-Income Housing Tax Credits (LIHTC): The project has received an LIHTC allocation of \$ 100. In order to maintain eligibility for TCAP funds, there must be equity investment in all or some of the project's tax credit allocation.

Use of Funds: The Loan may only be used to pay for costs includable in the project's "eligible basis" as defined by Section 42 of the Code, and/or for costs of land acquisition, on-site demolition, and hazardous material remediation. The Loan may not be used to pay asset management or LIHTC fees, to capitalize reserves or to build swimming pools.

Expenditure Requirements: Borrower shall expend at least 75% of the Loan proceeds on the Project by December 31, 2010 and 100% of the Loan proceeds by December 31, 2011.

Federal Funds: By accepting an award of TCAP funds, the project must comply with the Crosscutting Federal Requirements as outlined in the ARRA Policies.

Fees

Loan Closing: All costs incurred to close the loan including, but not limited to, title report and insurance costs, appraisal fees, legal fees, and recording costs are at the Borrower's sole expense and due directly to the service provider at or before loan closing. Estimates of these costs are forthcoming.

Asset Management: The Asset Management fee has not yet been determined.

Project Description

TC#: 09-02
Low-Income Units: 90
Common Area Units: 1
DDA, QCT or Rural Area: No

Commitments

Income Set-asides: 50% of units at 30% AMI
50% of units at 60% AMI

Special Needs Set-asides: 20% of units – Disabled
20% of units – Large Household

Additional Low-Income Housing Use Period: 22 years

Nonprofit Donation: No

Project Financing

Total Project Cost: \$21,260,066
Eligible Basis – Acquisition: \$0
Eligible Basis – Rehab/New Construction: \$20,425,336

Sources:

<i>Source</i>	<i>Amount</i>
<i>To be completed prior to closing</i>	
Total Sources	

NOTICE IS HERBY GIVEN THAT ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, MODIFY LOAN TERMS, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

Conditions to Closing

The following documents must be submitted to the Project Analyst responsible for your project no later than 45 days prior to your requested loan closing date.

1. **Title Policy:** A title commitment for a 2006 ALTA extended-coverage loan policy listing the Commission as the insured.
2. **Flood Certificate:** A certificate stating that the Property does not lie within an area designated as having special flood hazards under the Flood Disaster Protection Act of 1973. If the Property falls within a flood hazard area, the Borrower must provide appropriate flood hazard insurance policies
3. **Property Insurance Certificates:** Fire, extended coverage, and casualty insurance policies for the Property
4. **Liability Insurance Certificates:** Certificate of insurance covering public liability, workmen's compensation, builder's risk and property damage for all contractors performing on the construction site naming the Commission as an additional insured
5. **Appraisal:** Satisfactory appraisal performed by an appraiser acceptable to the Commission obtained at Borrower's expense. An appraisal ordered for another lender is acceptable as long as it is dated within 60 days of submission.
6. **Phase 1 Environmental Report**
7. **Borrower Authorization:** If applicable, a resolution from Borrower authorizing the TCAP transaction and providing the manager, members, officers or partners of the Borrower with the authority to execute all Loan Documents on behalf of the Borrower.
8. **Plans and Specifications:** The plans and specifications, cost breakdown and itemization and other written materials related to the construction of the Project including evidence of compliance with the Americans with Disabilities Act of 1990 and the Fair Housing Amendments Act of 1988 and any other applicable access laws. Borrower should include copies of all signed subcontracts and bids for materials and supplies evidencing the cost of completing the Project. Such cost breakdown should specifically include "soft costs" which are defined as all costs involved in completing the Project other than those for labor and materials and equipment.
9. **Construction Contract:** Executed "lump sum" or "cost plus with guaranteed maximum price" contract with Borrower's general contractor.
10. **Survey:** An ALTA/ACSM Survey
11. **Project Schedule:** Construction and expenditure schedule setting forth the approximate start and finish dates of all major stages of the Project. The start date must be within thirty (30) days of the expected closing date.
12. **Infrastructure:** Evidence of availability of adequate storm and sanitary sewers, if applicable, and water facilities, roads, gas and/or electricity upon a timely basis to serve the Project.
13. **Zoning and Municipal Approvals:** Proof of satisfactory zoning, site plan and other municipal approvals and compliance with all applicable municipal, county and state statutes.
14. **Disclosure of Lobbying Activities:** A certification, and a SF-LLL Disclosure of Lobbying Activities form (if required by 31 U.S.C. 1352 and implementing regulations at 24 CFR 87);

15. **NEPA:** Documentation of completion of the *National Environmental Policy Act Review process* evidenced by HUD's execution of the *Authority to Use Grant Funds (HUD 7015.16)* or equivalent letter.
16. **Federal Debarment Checks:** Provide the name and address of the project's general contractor, project sponsor, and ownership entity.

SECRET