



TACOMA HOUSING AUTHORITY

RESOLUTION 2019-02-27 (7)

Date: February 27, 2019
To: THA Board of Commissioners
From: Michael Mirra
Executive Director
Re: 1800 Hillside Terrace Lender Approval

This resolution would choose Heritage Bank as the construction and permanent lender for 1800 Hillside Terrace and authorize Tacoma Housing Authority's (THA) Executive Director to negotiate and execute a commitment letter. Later, he will present the final terms and loan agreements to the board for its consideration and approval.

Background

The Tacoma Housing Authority received a 2018 allocation of 9% Low Income Housing Tax Credits (LIHTC) and tax exempt bonds from the Washington State Housing Finance Commission (WSHFC) for the 1800 Hillside Terrace Project. The tax credits are sold to investors to generate equity for the development. The project will also require a construction loan estimated at \$14,500,000 million construction loan and \$3,935,000 million for a permanent loan.

In January, 2019, Tacoma Housing Authority requested Letters of Interest from prospective tax credit investors and financial lenders to assist in financing the development of the 64-unit, 1800 Hillside Terrace apartments.

The Request for Proposal was forwarded to following lenders:

US Bank	Chase Bank
Heritage Bank	Banner
Bank of America	Optum Bank

On February 5th, 2019, staff received letters of interest from the following lenders:

US Bank	Chase Bank
Heritage Bank	Banner
Umpqua	

An evaluation team comprised of four THA staff and our Financial Services Advisor, Brawner and Company, evaluated the proposals based on loan terms, including interest, fees, operating reserve

requirements, guarantees, and conversion from construction to permanent financing requirements. The evaluation team unanimously agreed to recommend Heritage Bank as the 1800 Hillside Terrace lender for both construction and permanent financing.

The selection committee favored Heritage Bank for the following reasons:

Construction Loan

The lender will provide a \$14,500,000 construction loan. This loan would come in two parts, with an "A" Note in the amount of \$ 9,400,000 and a "B" Note in the amount of \$5,100,000. The B Note will be tax exempt. For the tax exempt portion, the bank will purchase tax exempt bonds which THA will issue. THA will repay the construction loan in full with a combination of \$5,100,000 from the permanent loan and an estimated \$12,380,000 in tax credit equity, \$1,800,000 in a Housing Trust Fund loan and other resources.

Key Business Terms

The permanent loan amount is projected to be \$4,180,000 and interest rate and term is projected to be 4.19%. This loan will be amortized over 35 years and has a 17-year term. The construction loan is based on a floating rate. At this time the taxable rate is projected to be 3.92% and the tax-exempt rate is projected to be 3.67%. This loan could be fixed at a rate of 4.37% for the taxable portion of the construction loan and 4.07% for the tax-exempt portion of the loan.

Total loan fees are projected to be \$72,688, exclusive of additional legal costs.

THA Guarantees

THA guarantees payment, performance and completion guarantee through construction loan pay-off.

Recommendation

Authorize THA's Executive Director to (a) negotiate and execute the Commitment Letter from Heritage Bank for the construction and permanent financing of 1800 Hillside Terrace. The negotiated final terms and loan agreements will be presented to the Board for its consideration and approval prior to execution and financial closing for the project.

Authorize THA's Executive Director to negotiate and execute a Commitment Letter with the next responsive and competitive lender, should it not be possible to finalize terms with Heritage Bank.



TACOMA HOUSING AUTHORITY

RESOLUTION 2019-02-27 (7) (1800 Hillside Terrace Lender Approval)

A **RESOLUTION** of the Board of Commissioners of the Housing Authority of the City of Tacoma

WHEREAS, In January, 2019, Tacoma Housing Authority (THA) Staff issued a Request for Proposals (RFP) for Letters of Interest from investors interested in providing LIHTC equity for the development of the 1800 Hillside Terrace apartments; and

WHEREAS, The RFP was forwarded to six (6) lenders of which five responded with Letters of Interest on February 8, 2019; and

WHEREAS, The total estimated construction loan \$14,500,000; and

WHEREAS, The estimated permanent loan equals \$4,180,000; and

WHEREAS, An evaluation team, composed of four THA staff and Brawner and Company evaluated the terms of each proposer; and

WHEREAS, The evaluation team unanimously recommends negotiating with Heritage Bank and, upon success negotiation, execute the Commitment Letter to provide construction and permanent loans for this project; now, therefore, be it

Resolved by the Board of Commissioners of the Housing Authority of the City of Tacoma, Washington as follows:

Authorize THA's Executive Director to negotiate and execute the Commitment Letter from Heritage Bank for construction and permanent financing for 1800 Hillside Terrace (1800 Hillside Terrace, LLLP). If unsuccessful in negotiating the Commitment Letter from Heritage Bank, the Executive Director may negotiate with the next responsive bidder. The Executive Director will present the negotiated final terms and loan agreements to the Board for its consideration and approval prior to execution and financial closing for the project.

Approved: February 27, 2019



Dr. Minh-Anh Hodge, Chair