



TACOMA HOUSING AUTHORITY

RESOLUTION 2018-10-24 (2)

DATE: October 24, 2018
TO: THA Board of Commissioners
FROM: Michael Mirra
Executive Director
RE: Authorization to Forgive Debt of Certain Existing THA-Controlled Entities

This resolution would authorize THA to forgive certain loans it made to Hillside Terrace Phase I Limited Partnership, Hillside Terrace Phase II Limited Partnership, Salishan One LLC, Salishan Two LLC, and Salishan Three LLC (the "LIHTC Entities").

Background

Between 2002 and 2005, THA participated in the formation of the LIHTC Entities, each of which was formed to develop and operate a low-income housing property that would qualify for federal low-income housing tax credits ("LIHTCs"). THA is the general partner or managing member of each LIHTC Entity. Effective September 1, 2018, the investor in each of the LIHTC Entities identified transferred its member or limited partner interests, as applicable, to THA and Tacoma Housing Development Group ("THDG").

THA has outstanding loans to the LIHTC Entities of \$2,069,212 (Hillside Terrace Phase I), \$442,994 (Hillside Terrace Phase II), \$2,381,557 (Salishan One-Loan A), \$750,000 (Salishan One-Loan B), \$629,910 (Salishan One-AHP Loan), \$1,328,845 (Salishan Two-Loan A), \$400,000 (Salishan Two-Loan B), \$629,910 (Salishan Two-AHP Loan), \$3,868,514 (Salishan Three-Loan A), and \$629,910 (Salishan Three-AHP) (collectively, the "THA Loans"). Now that THA and THDG are the only members and partners of the LIHTC Entities, THA essentially owes this money to itself.

Staff believe it is desirable to forgive the THA Loans to reduce the administrative burden on THA of administering such loans. Generally accepted accounting principles, as applicable to THA, require that each of the LIHTC Entities be financially consolidated with THA and that each of the THA Loans be disregarded for financial reporting purposes since a reporting entity cannot have loans with itself. Any pass through loans from other entities (CTED, HTF) will remain. The forgiveness of these loans will also have the effect of lessening the debt burden and reduce any amount of debt needed to be repaid upon re-syndication of these properties.

Recommendation

Approve Resolution No. 2018-10-24 (2).



TACOMA HOUSING AUTHORITY

Tacoma Housing Authority 2018-10-24 (2) (Authorization to Forgive Debt of Certain Existing THA-Controlled Entities)

A **RESOLUTION** authorizing the Authority to forgive certain loans made by the Authority to Hillside Terrace Phase I Limited Partnership, Hillside Terrace Phase II Limited Partnership, Salishan One LLC, Salishan Two LLC, and Salishan Three, LLC; and providing for other matters properly related thereto.

WHEREAS, The Housing Authority of the City of Tacoma (the "Authority") seeks to encourage the provision of long-term housing for low-income persons residing within the City of Tacoma, Washington (the "City"); and

WHEREAS, RCW 35.82.070 authorizes the Authority, among other things, to "prepare, carry out, acquire, lease and operate housing projects," to "provide for the construction, reconstruction, improvement, alteration or repair of any housing project or any part thereof," to "lease or rent any dwellings . . . buildings, structures or facilities embraced in any housing project," and to lend money to aid in the development of housing projects; and

WHEREAS, The Authority is the sole general partner or managing member of, Hillside Terrace Phase I Limited Partnership, Hillside Terrace Phase II Limited Partnership, Salishan One LLC, Salishan Two LLC and Salishan Three LLC (each, a "LIHTC Entity"), and Tacoma Housing Development Group ("THDG") is the sole limited partner or investor member of each LIHTC Entity; and

WHEREAS, The LIHTC Entities developed and operate the affordable rental housing properties in the City commonly known as Hillside I, Hillside II, Salishan One, Salishan Two and Salishan Three (collectively, the "Properties"); and

WHEREAS, The Authority has loans to the LIHTC Entities outstanding in the amounts of \$2,069,212 (Hillside Terrace Phase I), \$442,994 (Hillside Terrace Phase II), \$2,381,557 (Salishan One-Loan A), \$750,000 (Salishan One-Loan B), \$629,910 (Salishan One-AHP Loan), \$1,328,845 (Salishan Two-Loan A), \$400,000 (Salishan Two-Loan B), \$629,910 (Salishan Two-AHP Loan), \$3,868,514 (Salishan Three-Loan A), and \$629,910 (Salishan Three-AHP) (collectively, the "THA Loans"); and

WHEREAS, The sources of funds for the THA Loans were grants and/or program income received by the Authority that was required to be used to fund improvements at the Properties; and

WHEREAS, The Authority has outstanding "operating" or "partner" loans that it made to Hillside Terrace Phase I Limited Partnership and Hillside Terrace Phase II Limited Partnership pursuant to the terms of the partnership agreements for such LIHTC Entities (the "Operating Loans"); and

WHEREAS, Generally accepted accounting principles, as applicable to the Authority, require that each of the LIHTC Entities be financially consolidated with the Authority and that each of the THA Loans, Operating Loans and related interest be disregarded for financial reporting purposes; and

WHEREAS, To reduce the costs of operating the Properties, and aid the poor and infirm, the Authority finds and determines that it is desirable to forgive the THA Loans and the Operating Loans, including the related interest; now, therefore, be it

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

1. The Authority is authorized to forgive each of the THA Loans and the Operating Loans, as well as any unpaid interest to such loans. The Authority's Executive Director and Deputy Executive Director (each, an "Authorized Officer" and, collectively, the "Authorized Officers"), and each of them acting alone, are authorized on behalf of the Authority and each LIHTC Entity to (i) execute, deliver and file (or cause to be executed, delivered and filed), to the extent required by law, such agreements, certificates, documents and instruments as are necessary or appropriate in each Authorized Officer's discretion to give effect to this resolution and to consummate such acquisition; and (ii) take any other action that each Authorized Officer deems necessary and advisable to give effect to this resolution and consummate the transactions contemplated herein; *provided, however*, no regulatory agreement between THA and an LIHTC Entity shall be released in connection with the forgiveness of the THA Loans.
2. The Authority is authorized to amend and restate the partnership agreement or operating agreement, as applicable, for each LIHTC Entity. The Authorized Officers, and each of them acting alone, are authorized on behalf of the Authority to determine the form of any such amended and restated partnership agreement or operating agreement, and to execute and deliver such agreements.
3. The Authority's Executive Director and his designees are authorized to cause each LIHTC Entity to liquidate any reserves that the Executive Director or his designees determine are not required by the U.S. Department of Housing and Urban Development or by a lender.
4. 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. This resolution shall be in full force and effect from and after its adoption and approval.

Approved: October 24, 2018



Dr. Minh-Anh Hodge, Chair