



TACOMA HOUSING AUTHORITY

RESOLUTION 2019-02-27 (6)

Date: February 27, 2019
To: THA Board of Commissioners
From: Michael Mirra
Executive Director
Re: Arlington Youth Campus Lender Approval

This resolution would choose Heritage Bank as the construction and permanent lender for Arlington Youth Campus Apartments and authorize Tacoma Housing Authority's (THA) Executive Director to negotiate and execute a commitment letter.

Background

The Tacoma Housing Authority received a 2019 allocation of 9% Low Income Housing Tax Credits (LIHTC) from the Washington State Housing Finance Commission (WSHFC) for the Arlington Youth Campus Apartment project. The tax credits are sold to investors to generate equity for the development. The project will also need an estimated \$18 million construction loan and \$3 million 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 58-unit, Arlington Youth Campus Apartments.

The Request for Proposal was forwarded to the following lenders:

US Bank	Bank of America
Heritage Bank	Chase
Optum Bank	Banner

On February 8th, 2019, letters of interest were received from the following responders:

US Bank	Banner
Heritage	Chase
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 rate, fees, operating reserve requirements, guarantees, and conversion from construction to permanent financing requirements.

The evaluation team unanimously agreed to recommend Heritage Bank as the Arlington Youth Campus lender for both construction and permanent financing.

The selection committee favored Heritage Bank for the following reasons:

Construction Loan

The lender will provide a \$13,000,000 construction loan. This loan would come in two parts, with an "A" Note in the amount of \$10,000,000 and a "B" Note in the amount of \$3,000,000. 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 from a combination of \$3,000,000 from the permanent loan and a projected \$13,000,000 tax credit equity.

Interest Rates

"A" Note. A fixed rate of interest to be set at closing at 1.80% in excess of the 30-day LIBOR rate. The current indicative fixed rate is 4.32%.

"B" Note. A fixed rate of interest to be set at closing at 1.55% in excess of the 30-day LIBOR rate. The current indicative fixed rate is 4.07%.

THA Guarantees

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

Recommendation

Authorize THA's Executive Director to negotiate and execute the Commitment Letter from Heritage Bank for the construction and permanent financing of Arlington Youth Campus Apartments (Arlington Youth Campus, LLLP). 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 (6) (THA's Arlington Youth 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) soliciting Letters of Interest from lenders interested in providing construction and permanent loans to support the development of the Arlington Youth Campus 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 equals \$13,000,000; and

WHEREAS, The total estimated permanent loan equals \$3,000,000; 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 agreed to recommend negotiating with Heritage Bank and the execution of the Commitment Letter for loan for the 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 Arlington Youth Campus Apartments (Arlington Youth Campus 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