



TACOMA HOUSING AUTHORITY

RESOLUTION 2018-04-25 (3)

DATE: April 25, 2018

TO: THA Board of Commissioners

FROM: Michael Mirra
Executive Director

RE: Authorization to acquire limited partner and investor member interests in certain existing THA-controlled entities

This resolution would authorize Tacoma Housing Authority (THA), acting together with Tacoma Housing Development Group ("THDG"), to acquire the investor interests in certain of THA's tax credit entities.

Background

Between 2002 and 2005, THA participated in the formation of 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"), each of which was formed to develop and operate a low-income housing project that would qualify for federal low-income housing tax credits ("LIHTCs"). THA is the general partner or managing member of each LIHTC Entity. Boston Financial Investment Management or an affiliate ("BFIM"), owns all of the limited partner and investor member interests in the LIHTC Entities.

The periods during which LIHTCs can be claimed by each LIHTC have expired. Under federal income tax law, the Hillside Terrace partnerships are subject to potential loss of LIHTCs (and recapture of LIHTCs previously claimed) through December 31, 2018, and the Salishan limited liability companies are subject to potential loss of LIHTCs (and recapture of LIHTCs previously claimed) through December 31, 2020. The maximum aggregate amount of LIHTC losses and recapture for which THA could be subject is \$7,166,969.

THA has been advised that BFIM is willing to sell its interests in each LIHTC Entity to THA, or a THA affiliate, so long as THA (i) commits to comply with existing regulatory agreements applicable to each project, (ii) agrees to pay BFIM for any costs associated with the loss or recapture of LIHTCs suffered by the LIHTC Entities, and (iii) provides security to BFIM for THA's potential liability for LIHTC losses and recapture.

The cost of BFIM's investor interests are not expected to exceed \$560,000 in the aggregate.

BFIM has agreed to accept a letter of credit from Heritage Bank, in the stated amount of \$2,500,000, as security for THA's potential LIHTC liability to BFIM, and Heritage Bank has

committed to make such letter of credit available for THA. Heritage Bank has committed to accept a cash-secured note from THA to evidence THA's obligations to reimburse the Bank for draws made on the letter of credit. A separate resolution is being presented to the Board to authorize the issuance of such note.

Recommendation

Approve Resolution No. 2018-04-25 (3).



TACOMA HOUSING AUTHORITY

THA BOC Resolution 2018-04-25 (3)

(Authorization to Acquire Limited Partner and Investor Member Interests in Certain Existing THA-Controlled Entities)

A RESOLUTION authorizing the Authority to acquire the investor interests in Hillside Terrace Phase I Limited Partnership, Hillside Terrace Phase II Limited Partnership, Salishan One LLC, Salishan Two LLC, and Salishan Three, LLC; authorizing the execution and delivery of certain agreements and other documents with respect to the acquisition of such interests; 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 "make and execute contracts and other instruments, including but not limited to partnership agreements"; and

WHEREAS, Pursuant to the authority provided by RCW 35.82.070, the Authority participated in the formation of, and is the 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

WHEREAS, The LIHTC Entities developed and operate the following affordable rental housing projects in the City of Tacoma on property leased to the LIHTC Entities by the Authority (collectively, the "Projects"): the project commonly known as Hillside I, located at 2300 Block South G Street, the project commonly known as Hillside II, located at 2300 Block South G Street, the project commonly known as Salishan One, located at 1724 East 44th Street, the project commonly known as Salishan Two, located at 1725 East 44th Street, and the project commonly known as Salishan Three, located at 1724 East 44th Street; and

WHEREAS, Boston Financial Investment Management and/or its affiliates (collectively, "BFIM") owns all of the limited partner interest and investor member interest in the LIHTC Entities; and

WHEREAS, BFIM is willing to transfer its investor interests in the LIHTC Entities to the Authority (or an affiliate of the Authority), so long as the Authority (i) commits to comply with existing regulatory agreements applicable to each Project, (ii) agrees to pay BFIM for any costs associated with the loss or recapture of LIHTCs suffered by the LIHTC Entities, and (iii) provides security to BFIM for THA's potential liability for LIHTC losses and recapture; and

WHEREAS, BFIM has agreed to accept a letter of credit from Heritage Bank, in the stated

amount of \$2,500,000, as security for the Authority's potential LIHTC liability to BFIM (the "Letter of Credit"), and Heritage Bank has committed to make such Letter of Credit available for the Authority; and

WHEREAS, The Board finds and determines that the Authority can obtain greater control of the various projects owned by the LIHTC Entities if it acquires such investor interests from BFIM, and that such greater control is in the best interests of the Authority and the persons it serves; 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'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 to negotiate with BFIM regarding the Authority's acquisition of BFIM's interests in each LIHTC Entity.
2. Subject to the limitation specified in Section 5 of this resolution, the Authority is authorized to acquire all of BFIM's interests in each or any of the LIHTC Entities. Each Authorized Officer is delegated the authority to determine the order in which BFIM's interests are to be acquired; which BFIM's interests, if any, are to be acquired; and the amount (subject to the limitation specified in Section 5 of this resolution) the Authority will pay to BFIM with respect to any such acquisition.
3. Each Authorized Officer is authorized on behalf of the Authority (in its individual capacity and/or in its capacity as each LIHTC Entity's general partner or managing member) with respect to any acquisition to be made pursuant to this resolution 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.
4. If the Authority acquires the interests of BFIM in any LIHTC Entity, each Authorized Officer is authorized on behalf of the Authority (in its individual capacity and/or in its capacity as the LIHTC Entity's general partner or managing member) to cause BFIM to transfer all of its interests in each LIHTC Entity to the Authority and/or an affiliate of the Authority, including but not limited to Tacoma Housing Development Group.
5. The Authority is authorized to expend up to \$560,000, in the aggregate, of available Authority funds in connection with the acquisition of BFIM's interests in the LIHTC Entities, as well as payment of any applicable filing fees, application fees, registration fees and other costs relating to the actions authorized by this resolution.
6. The Authorized Officers are authorized to cause Heritage Bank to issue the Letter of Credit to BFIM, and to execute, deliver and file (or cause to be executed, delivered and filed), to the extent required by law, such agreements, certificates, documents and instruments on behalf of

the Authority as are necessary or appropriate in each Authorized Officer's discretion in connection with the Letter of Credit.

7. 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.
8. This resolution shall be in full force and effect from and after its adoption and approval.

Approved: April 25, 2018



Janis Flauding, Chair

CERTIFICATE

I, the undersigned, the duly chosen, qualified and acting 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. 2018-04-25 (3) (the "Resolution") is a true and correct copy of the resolution of the Board of Commissioners of the Authority as adopted at a meeting of the Authority held on April 25, 2018, and duly recorded in the minute books of the Authority.

2. 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 on April 25, 2018.

HOUSING AUTHORITY OF THE CITY OF
TACOMA

By: Michael Mirra
Michael Mirra, Executive Director