



TACOMA HOUSING AUTHORITY

RESOLUTION 2015-08-26 (8)

Date: August 26, 2015
To: THA Board of Commissioners
From: Michael Mirra
Executive Director
Re: RAD: Authorization to Select Lender

This resolution would choose Citi Bank as the construction and permanent lender for the RAD fix-up of nine THA properties. It would authorize the THA Executive Director to negotiate and execute a Commitment Letter with Citi Corp. Later, he will present the final terms and loan agreements to the Board for its consideration and approval.

Background

In late February 2015, HUD approved THA's proposal to refinance its portfolio of properties under HUD's Rental Assistance Demonstration (RAD) program. The RAD program allows THA to convert its Public Housing stock to Project Based Section 8. As part of this conversion, HUD requires housing authorities to renovate their properties so the major systems and components will have at least a 20-year life span. Unlike public housing, RAD allows THA to use private equity and debt to finance the renovation. THA plans to do this by using 4% Low Income Housing Tax Credits and issuing private-activity tax-exempt bonds.

On July 21, 2015, THA requested Letters of Intent from prospective lenders for the fix up of its 9 traditional public housing sites: at Dixon Village, Bergerson Terrace, G Street, K Street, E.B. Wilson, Fawcett, Ludwig, Wright, and 6th Avenue.

THA sent the Request for Proposal to the following lenders:

Banner Bank	Union Bank
Chase	Hunt Mortgage
Citi Bank	Heritage Bank NW
US Bank	Cornerstone
BAML	

On August 7, 2015, staff received Letters of Intent from the following responders:

Cornerstone	US Bank
Hunt Mortgage	Chase
Citi Bank	

An evaluation team comprised of four THA staff and Financial Services Advisor, Brawner and Company, evaluated the proposals based on terms, including interest, fees, operating reserve requirements, guarantees and conversion from construction to permanent financing requirements.

The evaluation team recommends Citi Bank as the RAD lender. The selection committee favored Citi Bank for the following reasons:

- Low replacement reserve requirements: \$250/unit
- Option to convert a floating rate construction loan to a fixed rate construction loan
- Competitive up front and related fees

Terms of the Proposed Loan:

Financing Terms

The bonds will be issued in fully-registered form in an aggregate principal amount estimated to be \$44,500,000, of which approximately \$17,000,000 is expected to convert to permanent financing. The terms of the construction and permanent loans from Citi bank are described below.

Construction Loan Terms

Option A

Base Index:	1-month LIBOR
Base Index Rate:	0.19%
Spread or Stack over Index:	1.65%
Current Rate Based on Above Index and Spread:	1.84%
Projected Term:	36 months

Option B: Fixed

Index and Rate:	Fix using the 2.5 year LIBOR swap index (currently 1.14%) plus 1.85%.
Current Rate Based on Above Index plus 1.85%	2.99%

Permanent Loan Terms

Term:	30-year term callable in year 19
Amortization Period:	35 years
Base Index:	19-year LIBOR swap index
Current Base Rate Using Above Index:	2.57%
Spread or Stack Over Index:	2.10%
Current Rate Based on Above Index and Spread:	4.67%

Recommendation

Approve Resolution 2015-8-26 (8) authorizing THA's Executive Director to negotiate and execute the Commitment Letter from Citi Bank to provide the construction and permanent financing for the 9 traditional public sites at Dixon Village, Bergerson Terrace, G Street, K Street, E.B. Wilson, Fawcett, Ludwig, Wright, and 6th Avenue. He will present the negotiated final terms and loan agreements to the Board for its consideration and approval prior to execution and financial closing of the RAD properties.



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RAD: Authorization to Select Lender

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

WHEREAS, On July 21, 2015, Tacoma Housing Authority (THA) staff issued a Request for Proposals (RFP) for Letters of Intent from lenders interested in providing construction and permanent financing for THA's 9 traditional Public Housing RAD sites; and

WHEREAS, THA sent the Request for Proposal to 9 lenders; 5 lenders responded with Letters of Intent; and

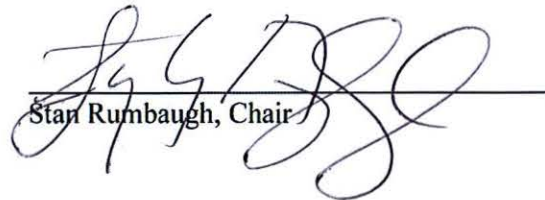
WHEREAS, An evaluation team, composed of 4 THA staff and Brawner and Company evaluated the terms of each proposer; and

WHEREAS, The evaluation team recommends negotiating with Citi Bank for execution of the Commitment Letter; 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 Citi Bank to provide the construction and permanent financing for the 9 traditional Public Housing sites at Dixon Village, Bergerson Terrace, G Street, K Street, E.B. Wilson, Fawcett, Ludwig, Wright, and 6th Avenue. The negotiated final terms and loan agreements will be presented to the Board for its consideration and approval prior to execution and financial closing of the RAD properties.

Approved: August 26, 2015


Stan Rumbaugh, Chair