



TACOMA HOUSING AUTHORITY

RESOLUTION 2015-07-30 (4)

Date: July 30, 2015
To: THA Board of Commissioners
From: Michael Mirra, Executive Director
Re: Authorization to Select Bay Terrace Phase II Investor

Background

This resolution would authorize the executive director to negotiate and sign a Letter of Intent selecting the Royal Bank of Canada (RBC) as the tax credit investor for Bay Terrace Phase II. It also authorizes him to negotiate an operating and partnership agreement with RBC for the transaction. He will submit the agreement to the Board for approval before signing it.

The Tacoma Housing Authority received a 2015 allocation of 9% Low Income Housing Tax Credits from the Washington State Housing Finance Commission (WSHFC) for Bay Terrace Phase II. The tax credits are sold to investors to generate equity for the development. The initial value of the tax credits was estimated to be \$15,044,990. On June 9, 2015, Tacoma Housing Authority requested Letters of Interest from prospective tax credit investors to assist in financing the development of Bay Terrace Phase II, a 74-unit rental housing complex.

The Request for Proposal was forwarded to following investors:

Richman Capital	National Equity Fund (NEF)
Boston Capital	City Real Estate Advisors (CREA)
Royal Bank of Canada (RBC)	Key Bank
Berkshire Hathaway	

On June 29, 2015, staff received Letters of Interest from the following responders:

Royal Bank of Canada (RBC)
Boston Capital
City Real Estate Advisors
Key Bank

An evaluation team comprised of four Tacoma Housing Authority staff and THA's Financial Services Advisor, Brawner and Company, evaluated the proposals based on price per tax credit and other terms, including operating reserve requirements, guarantees, pay in schedules for equity and developer fees, and buy-out provisions at the end of the 15-year compliance period.

After some discussion, the evaluation team unanimously agreed to recommend Royal Bank of Canada (RBC) as the Bay Terrace Phase II investor for the project. The selection committee favored RBC for the following reasons:

- Tax Credit Pricing: \$1.12, total estimated equity value: \$16,850,000
- Operating Reserves: \$0.00
- Replacement Reserve: \$250/unit
- Lease-up Reserve: \$80K
- THA Guarantees: Construction completion, operating deficits, tax credit delivery
- Buy-Out: THA (General Partner) has Right of First Refusal; General Partner can purchase at year 12 from when the project was Placed-in-Service at remaining debt or Fair Market Value, excluding exit tax

Recommendation

Approve Resolution 2015-7-30 (4) authorizing THA's Executive Director to (a) negotiate and execute the commitment letter from RBC for the purchase of low-income housing tax credits to be allocated to Bay Terrace Phase II (2500 Court G LLLP), and (b) negotiate an Operating Agreement between THA as General Partner and RBC as Limited Investor Partner. The negotiated partnership and operating agreement will be presented to the Board for its consideration and approval prior to execution.



TACOMA HOUSING AUTHORITY

RESOLUTION 2015-07-30 (4)

(Authorization to Select Bay Terrace Phase II Investor)

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

WHEREAS, On June 9, 2015, Tacoma Housing Authority (THA) Staff issued a Request for Proposals (RFP) for Letters of Interest from investors interested in purchasing low-income housing tax credits for Bay Terrace Phase II; and

WHEREAS, The RFP was forwarded to seven investors of which five investors responded with Letters of Interest; and

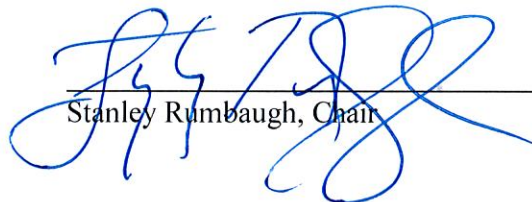
WHEREAS, An evaluation team, composed of four THA staff and Brawner and Company evaluated the terms of each proposer; and

WHEREAS, The evaluation team agreed to recommend negotiating with the Royal Bank of Canada (RBC) for execution of the Commitment Letter and a Partnership Operating Agreement; 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 (a) negotiate and execute the commitment letter from RBC for the purchase of low-income housing tax credits to be allocated to Bay Terrace Phase II (2500 Court G LLLP), and (b) negotiate a partnership and operating Agreement between THA as General Partner and RBC as Limited Investor Partner. The negotiated agreement will be presented to the Board for its consideration and approval prior to execution.

Approved: July 30, 2015



Stanley Rumbaugh, Chair