



TACOMA HOUSING AUTHORITY

RESOLUTION 2015-07-30 (6)

Date: July 30, 2015
To: THA Board of Commissioners
From: Michael Mirra, Executive Director
Re: RAD: Tax Credit Investor Selection

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 THA's RAD refinancing and reconstruction of its entire housing portfolio. 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 portfolio award for Rental Assistance Demonstration (RAD) in late February, 2015. The RAD program allows Tacoma Housing Authority (THA) to convert its Public Housing stock to Project Based Section 8. HUD requires Housing Authorities converting to RAD to fix up their properties so the major systems and components will have at least a twenty (20) year life span. Unlike public housing, RAD allows THA to attract private equity and debt to finance the needed repairs. THA plans to do this through tax credits, which are sold to investors to generate equity for the development. The initial value of the tax credits was estimated to be \$25,111,896. On June 15, 2015, Tacoma Housing Authority requested Letters of Intent from prospective tax credit investors to assist in financing the development of THA's traditional Public Housing projects. The request was for a single investor to form a partnership for all 9 traditional Public Housing Sites. The 456 total Public Housing units we plan to renovate are in the following properties: Dixon Village, Bergerson Terrace, G Street, K Street, E.B. Wilson, Fawcett, Ludwig, Wright, and 6th Avenue. Common area and exterior improvements are also planned, including landscaping and improved lighting.

The Request for Proposal was forwarded to the 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 July 3, 2015, staff received Letters of Intent from the following investors:

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

An evaluation team comprised of four THA staff and 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 RAD investor for the project. The selection committee favored RBC for the following reasons:

- Highest Tax Credit Pricing: \$1.155, total estimated equity value: \$26,363,279
- Low Replacement Reserve Requirements: \$250/unit
- High Developer Fee: \$7,880,230 with a deferred portion of \$887,251
- Low Asset Management Fee: \$10,000 increasing 3% annually
- 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 the greater of the remaining debt or Fair Market Value, excluding exit tax

Recommendation

Approve Resolution 2015-7-30 (6) authorizing the 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 the RAD properties, 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.



TACOMA HOUSING AUTHORITY

RESOLUTION 2015-7-30 (6)

(RAD: Tax Credit Investor Selection)

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

WHEREAS, On June 15, 2015, Tacoma Housing Authority (THA) Staff issued a Request for Proposals (RFP) for Letters of Intent from investors interested in purchasing low-income housing tax credits for the RAD project;

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


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

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.

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 the RAD properties, 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



Stan Rumbaugh, Chair