



TACOMA HOUSING AUTHORITY

RESOLUTION 2017-09-27 (3)

Date: September 27, 2017
To: THA Board of Commissioners
From: Michael Mirra
Executive Director
Re: Highland Crest Apartment Bonds

The purpose of this resolution is to authorize the issuance of tax-exempt bonds for the purchase of Highland Crest Apartments.

Background

Tacoma Housing Authority has executed a purchase and sale agreement to acquire Highland Crest Apartments. This is a 73-unit apartment complex located in West Tacoma. Highland Crest LLC has requested that the Authority issue revenue bonds (together, the "Bonds") for the purpose of providing part of the funds with which to pay the costs of acquiring Highland Crest.

The proceeds of the Bonds will be used to make a loan (the "Loan") to the Tacoma Housing Authority pursuant to a Loan Agreement (the "Bond Loan Agreement") between the Authority and the Seller. Pursuant to the Loan Agreement, THA will agree (1) to apply the proceeds of the Loan to pay acquisition costs to acquire the property, (2) to make payments sufficient to pay the principal of and interest on the Bonds when due, and (3) to observe the other covenants and agreements and make the other payments set forth in the Bond Loan Agreement. Use of bonds to purchase this multifamily property requires that at least 50% of the bonds be used to provide affordable low income rental housing, as defined by the housing authority.

The Highland Crest, LLC has offered to purchase the Bonds upon terms set forth in the purchase and sale agreement dated June 22, 2017, and as it may be further amended from time to time.

Board Resolution

This Resolution seeks board authorization for the:

1. Issuance of the Bonds in a principal amount not to exceed \$6,400,000,
2. Sale of the Highland Crest LLC, and

3. Preparation, execution and delivery of documents by the Authority, in its capacity as issuer of the Bonds and guarantor of certain obligations with respect to the Bonds. Documents to be authorized include, without limitation, Loan Agreements, a Deed of Trust, an Environmental Indemnity Agreement and a Guaranty.

Recommendation

Authorize the issuance of tax-exempt bonds for the purchase of Highland Crest Apartments.



TACOMA HOUSING AUTHORITY

RESOLUTION 2017-0-27(3) (Highland Crest Apartments Bond)

A RESOLUTION of the Board of Commissioners of the Housing Authority of the City of Tacoma authorizing the issuance of a revenue bond of the Authority in the principal amount of not to exceed \$6,400,000, the proceeds of which will be used to finance all or a portion of the cost of acquiring a 73-unit apartment complex located at 729-730 South Vassault Street, Tacoma, Washington, known as the Highland Crest Apartments; establishing a bond fund; determining the form, terms and covenants of the bond; authorizing the execution and delivery of the bond, a deed of trust, and other agreements, documents and certificates; authorizing the sale and delivery of the bond to Highland Crest Apts., L.L.C.; and determining related matters.

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 in the City of Tacoma, Washington (the "City"); and

WHEREAS, RCW 35.82.070(2) provides that a housing authority may acquire and provide for the construction, reconstruction, improvement, alternation or repair of housing projects; and

WHEREAS, RCW 35.82.020 defines "housing project" to include, among other things, "any work or undertaking . . . to provide decent, safe and sanitary urban or rural dwellings, apartments, mobile home parks or other living accommodations for persons of low income"; and

WHEREAS, RCW 35.82.070(5) provides that a housing authority may pledge any interest in real property; and

WHEREAS, RCW 35.82.020(11) and 35.82.130 together provide that a housing authority may issue bonds, notes or other obligations for any of its corporate purposes; and

WHEREAS, RCW 35.82.040 authorizes the Authority to "delegate to one or more of its agents or employees such powers or duties as it may deem proper"; and

WHEREAS, the Authority has entered into an agreement to purchase a 72-unit apartment complex located at 729-730 South Vassault Street, Tacoma, Washington, known as the Highland Crest Apartments, to be a housing project of the Authority (the "Project"); and

WHEREAS, the Board of Commissioners of the Authority deems it necessary and advisable and in the best interest of the Authority to issue a revenue bond (the "Bond") in the principal amount of not to exceed \$6,400,000 to the seller of the Project to finance a portion of the purchase price of the Project; now, therefore, be it

RESOLVED BY THE BOARD OF COMMISSIONERS OF THE HOUSING
AUTHORITY OF THE CITY OF TACOMA as follows:

Section 1. Definitions. As used in this resolution, the following words have the following meanings:

“Authority” means the Housing Authority of the City of Tacoma, a public body corporate and politic duly organized and existing under and by virtue of the laws of the State of Washington.

“Board” means the Board of Commissioners of the Authority.

“Bond” means the Housing Revenue Bond, 2017 (Highland Crest Apartments Project), of the Authority issued pursuant to, under the authority of and for the purposes provided in this resolution.

“Bond Fund” means the Authority’s Housing Revenue Bond Fund, 2017 (Highland Crest Apartments Project), created by Section 6 of this Resolution for the purpose of paying principal of and interest on the Bond.

“Bond Registrar” means the Executive Director of the Authority.

“City” means the City of Tacoma, Washington.

“Code” means the Internal Revenue Code of 1986, as amended.

“Deed of Trust” means the deed of trust, assignment of rents and leases, security agreement and fixture filing under which the Authority is the grantor and the Seller is the beneficiary constituting a lien on the real property and improvements constituting the Project.

“Environmental Indemnity Agreement” means hazardous substances warranty/indemnity agreement made by the Authority for the benefit of the Seller relating to the Project.

“Project” means, depending upon the context, (1) the acquisition of the apartment complex known as the Highland Crest Apartments located at 729-730 South Vassault Street, Tacoma, Washington, which is hereby declared to be a housing project of the Authority; or (2) the apartment complex so acquired.

“Project Revenues” means all amounts due to or received by the Authority for the account of the Authority pursuant or with respect to the Project, including without limitation all payments on contractors’ bonds, all lease payments, insurance proceeds and condemnation awards and proceeds resulting from foreclosure of the Deed of Trust, and all investment earnings thereon.

“Purchase and Sale Agreement” means the Real Estate Purchase and Sale Agreement, between the Authority and the Seller, providing for the Authority’s purchase of the Project from the Seller, together with any amendments thereto.

“Registered Owner” means the Seller, as registered owner of the Bond, or any subsequent owner of the Bond.

“Seller” means Highland Crest Apts., L.L.C., a Washington limited liability company.

Section 2. Authorization and Description of Bond. The Authority shall issue the Bond as a single revenue bond designated Housing Revenue Bond, 2017 (Highland Crest Apartments Project), in the principal amount of not to exceed \$6,400,000 for the purpose of paying a portion of the purchase price for the Project. The Bond shall be issued in fully registered form; shall be dated its date of issue, shall be numbered R-1; shall mature ten years from its date of issue. Up to

and including the fifth anniversary of the date of issue, interest only on the Bond shall be payable on the first business day of each calendar month. Commencing with the first business day of the first full calendar month after the fifth anniversary of the date of issue, principal of and interest on the Bond shall be payable in equal monthly installments in the amount necessary to amortize the principal of and interest on the Bond over a 30-year period, based on the outstanding principal amount of the Bond on the fifth anniversary of the date of issue. At maturity, any remaining outstanding principal balance and accrued interest on the Bond shall be due and payable in full.

Section 3. Bond Registrar; Registration and Transfer of Bond. The Executive Director of the Authority shall serve as Bond Registrar for the Bond. The Bond Registrar shall keep, or cause to be kept, at its office in Tacoma, Washington, sufficient books for the registration of the Bond (the "Bond Register"), which shall contain the name and mailing address of the Registered Owner of the Bond. The Bond Registrar is authorized, on behalf of the Authority, to authenticate and deliver the Bond in accordance with the provisions of the Bond and this resolution, to serve as the Authority's paying agent for the Bond and to carry out all of the Bond Registrar's powers and duties under this resolution.

The Bond shall be issued only in registered form as to both principal and interest and shall be recorded on the Bond Register. The Bond may be assigned or transferred by the Registered Owner only with the prior written consent of the Authority and only if endorsed in the manner provided thereon and surrendered to the Bond Registrar, together with an executed Certificate of Transferee, in the form attached to the Bond.

Section 4. Place, Manner and Medium of Payment of Bond. Both principal of and interest on the Bond shall be payable in lawful money of the United States of America and shall be paid by check mailed to arrive on or before each payment date, or in immediately available funds delivered on or before each payment date, to the Registered Owner at the address appearing on the Bond Register on the date payment is mailed or delivered. Upon the final payment of principal of and interest on the Bond, the Registered Owner shall surrender the Bond at the principal office of the Bond Registrar in Tacoma, Washington, for destruction or cancellation in accordance with law.

Section 5. Prepayment Option. The Bond may not be prepaid by the Authority prior to the fifth anniversary of the date of issue. The Authority reserves the right and option to prepay the Bond, in whole or in part, at any time after the fifth anniversary of the date of issue at par plus accrued interest to the date of prepayment or redemption. Interest on the principal amount of the Bond called for prepayment shall cease to accrue on the date fixed for prepayment unless the principal amount called for prepayment is not paid on the prepayment date.

Section 6. Bond Fund; Security for the Bond. The Bond Fund is hereby established as a special fund of the Authority and is to be known as the Housing Revenue Bond Fund, 2017 (Highland Crest Apartments Project). The Bond Fund is to be drawn upon for the sole purpose of paying the principal of and interest on the Bond. The Authority irrevocably obligates and binds itself to set aside and pay into the Bond Fund from Project Revenues money sufficient in amount to pay principal of and interest on the Bond when due. The Bond is also secured by the Deed of Trust.

The Bond shall not be a debt of City, the State of Washington or any political subdivision thereof, and the Bond shall so state on its face. Neither the City, the State of Washington nor any

political subdivision thereof (except the Authority, from the sources specified herein) shall be liable for payment of the Bond nor in any event shall principal of, premium, if any, on and interest on the Bond be payable out of any funds or assets other than those pledged to that purpose by the Authority herein. The Authority has no taxing power.

Neither the Authority nor any of the Commissioners, officers or employees of the Authority shall be personally liable for the payment of the Bond.

Section 7. Form and Execution of Bond. The Bond shall be prepared in a form consistent with the provisions of this resolution and state law, shall bear the manual or facsimile signatures of the Chair of the Board and Executive Director of the Authority and shall be impressed with the seal of the Authority or shall bear a facsimile thereof.

To be valid or obligatory for any purpose or entitled to the benefits of this resolution, the Bond shall bear a Certificate of Authentication in the following form, manually signed by the Bond Registrar:

CERTIFICATE OF AUTHENTICATION

This Bond is the fully registered Housing Revenue Bond, 2017 (Highland Crest Apartments Project), of the Housing Authority of the City of Tacoma described in the Bond Resolution.

Michael Muma

Executive Director of the Authority and
Bond Registrar

The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this resolution.

If any officer whose facsimile signature appears on the Bond ceases to be an officer of the Authority authorized to sign bonds before the Bond bearing his or her facsimile signature is authenticated or delivered by the Bond Registrar or issued by the Authority, the Bond nevertheless may be authenticated, issued and delivered and, when authenticated, issued and delivered, shall be binding on the Authority as though that person had continued to be an officer of the Authority authorized to sign bonds. The Bond also may be signed on behalf of the Authority by any person who, on the actual date of signing of the Bond, is an officer of the Authority authorized to sign bonds, although he or she did not hold the required office on the date of issuance of the Bond.

Section 8. Preservation of Tax Exemption for Interest on Bond. The Authority covenants that it will take all actions necessary to prevent interest on the Bond from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the Bond or other funds of the Authority treated as proceeds of the Bond at any time during the term of the Bond which would cause interest on the Bond to be included in gross income for federal income tax purposes. The Authority also covenants that, to the extent arbitrage rebate requirements of Section 148 of the Code are applicable to the Bond, it will take all actions necessary to comply (or to be treated as having complied) with those requirements in connection with the Bond, including the calculation and payment of any penalties that the Authority has elected to pay as an alternative to calculating

rebatable arbitrage, and the payment of any other penalties if required under Section 148 of the Code to prevent interest on the Bond from being included in gross income for federal income tax purposes.

Section 9. Approval of Transaction. The Board finds that the terms and conditions contained in this resolution and the Purchase and Sale Agreement are in the best interest of the Authority, and authorizes and approves the execution and delivery of, and the performance by the Authority of its obligations contained in, the Purchase and Sale Agreement and this resolution.

Section 10. Authorization of Documents and Execution Thereof. The Authority authorizes and approves the execution and delivery of, and the performance by the Authority of its obligations contained in, the Bond, the Deed of Trust and the Environmental Indemnity Agreement, and the consummation by the Authority of all other transactions contemplated by this resolution in connection with the issuance of the Bond. The appropriate Authority officials are authorized and directed to do everything necessary for the issuance, execution and delivery of the Bond, and the Executive Director of the Authority is authorized and directed to execute and deliver the Deed of Trust, the Environmental Indemnity Agreement and any other documents that may be reasonably required to be executed in connection with the issuance of the Bond, or useful or necessary to ensure the proper use and application of the proceeds of the Bond.

The Bond will be prepared at the Authority's expense and will be delivered to the purchaser thereof, with the approving legal opinion of Foster Pepper PLLC, municipal bond counsel of Seattle, Washington.

Section 11. Acting Officers Authorized. Any action required by this resolution to be taken by the Chair of the Board or Executive Director of the Authority may in the absence of such person be taken by the duly authorized acting Chair of the Board or acting Executive Director of the Authority, respectively.

Section 12. Changes to Titles or Parties. While the titles of and parties to the various documents described herein may change, no change to such titles or parties shall affect the authority conferred by this resolution to execute, deliver, file (if required), enforce and perform the documents in their final form.

Section 13. Ratification and Confirmation. 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.

Section 14. Effective Date. This resolution shall be in full force and effect from and after its adoption and approval.

ADOPTED by the Board of Commissioners of the Housing Authority of the City of Tacoma at an open public meeting thereof this 27th day of September, 2017.

September 27, 2017


Janis Flauding, Chair

CERTIFICATE

I, the undersigned, the duly chosen, qualified and acting Secretary-Treasurer and 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. 2017-09-27 (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 September 27, 2017, 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 this 27th day of September, 2017

By: Michael Muna
Executive Director and Secretary-Treasurer
of the Authority