



TACOMA HOUSING AUTHORITY

RESOLUTION 2017-11-15 (2)

Date: November 15, 2017
To: THA Board of Commissioners
From: Michael Mirra
Executive Director
Re: Alberta J Canada – Construction and Permanent Lender Selection

This resolution would authorize the Tacoma Housing Authority's (THA) Executive Director to finalize the selection of the construction and permanent lender for the Alberta J. Canada Renovation project.

Background

The Tacoma Housing Authority received a 2017 allocation of 4% Low Income Housing Tax Credits and Tax exempt bonds from the Washington State Housing Finance Commission (WSHFC) for the Alberta J Canada renovation. The tax credits are sold to investors to generate equity for the development. The initial value of the tax credits was estimated to be \$4,571,834.00.

In addition to tax credits, the project will require up to \$7,500,000 in tax exempt bond loans for construction and permanent financing. In April 2017, Tacoma Housing Authority requested Letters of Interest from prospective construction and permanent lenders to assist in financing the renovations of Alberta J Canada, a 49-unit senior housing complex.

The Request for Proposal was forwarded to following lenders.

Banner Bank
Chase Bank
Bank of America
Citi Bank
Heritage Bank NW
US Bank
WCRA

On May 26, 2017, staff received Letters of Interest from the following responders.

Banner Bank
Chase Bank/WCRA
Citi Bank
Heritage & Bellwether

An evaluation team comprised of two THA staff and our Financial Services Advisor, Brawner and Company, evaluated the proposals based on loan terms, including interest, fees, operating reserve requirements, guarantees, and conversion from construction to permanent financing requirements. After some discussion, the evaluation team unanimously agreed to recommend Banner Bank as the Alberta J Canada lender for both construction and permanent financing. The selection committee favored Banner Bank for the following reasons:

Construction Loan:

Banner will provide up to a \$7,500,000 construction loan. This loan would be made with a back-to-back loan structure in which all bonds are issued at closing (construction loan) and a portion of the loan converts to a permanent loan at conversion. The Bank will purchase tax exempt bonds to be issued by the Tacoma Housing Authority. The construction loan shall be repaid in full from the permanent loan and LIHTC Equity.

Interest Rates:

With a 25 month maturity, the construction loan has a Borrower's option of 70% of WSJ Prime, rounded to the nearest 1/8%, with a floor of 2.75%, adjusting as Prime may change or a fixed interest rate to be set 30 days before closing at 1/4% above the floor rate as calculated above, currently 3.00%.

The tax exempt fixed interest rate for the Permanent Loan shall be locked at Construction Loan closing and has a term of 17 years. The interest rate set 30 days before closing would be the lessor of 4.50% or 70% of sum of 2.10% plus 17 year fix rate advance of the Federal Home Loan Bank product rounded to the nearest 1/8%.

Loan Fees: 0.50% of the final acquisition/renovation loan amount and 0.50% of the final committed permanent loan amount.

Maturity Date: Construction Loan, 25 months maximum from closing. Permanent Loan, 204 months from construction loan closing.

Operating Reserves: \$0.00

Replacement Reserve: \$0/unit/year

THA Guarantees: The acquisition/renovation loan shall be full recourse to the Borrower. Upon conversion, the repayment guaranty shall expire and the permanent loan shall become non-recourse except for standard carve-outs.

Recommendation

Approve Resolution 2017-11-15 (2) authorizing the Executive Director to negotiate and execute the Commitment Letter from Banner Bank for construction and permanent financing for the acquisition/renovation of Alberta J Canada (Alberta J Canada LLLP). The negotiated final terms and loan agreements will be presented to the Board for its consideration and approval prior to execution and financial closing for the project.



TACOMA HOUSING AUTHORITY

RESOLUTION 2017-11-15 (2)

(Alberta J Canada Renovation – Construction and Permanent Lender Selection)

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

Whereas, In April, 2017, Tacoma Housing Authority (THA) Staff issued a Request for Proposals (RFP) for Letters of Interest from lenders interested in providing construction and permanent financing for the acquisition/renovation of the Alberta J. Canada senior housing apartments; and

Whereas, The RFP was forwarded to seven lenders of which four lenders responded with Letters of Interest on May 26, 2017; 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 unanimously agreed to recommend negotiating with the Banner Bank and the execution of the Commitment Letter for both the construction and permanent financing; 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 Banner Bank for construction and permanent financing for the acquisition/renovation of the Alberta J. Canada senior housing, (Alberta J. Canada LLLP). The negotiated final terms and loan agreements will be presented to the Board for its consideration and approval prior to execution and financial closing for the project.

Approved: November 15, 2017



Janis Flauding, Chair