



# TACOMA HOUSING AUTHORITY

## RESOLUTION No. 2012-2-22 (3)

DATE: February 22, 2012  
TO: Board of Commissioners  
FROM: Michael Mirra, Executive Director  
RE: HILLSIDE TERRACE PHASE I REDEVELOPMENT – INDUCEMENT RESOLUTION

### **Background**

The Hillside Terrace Phase I redevelopment financing is structured to use Tax-Exempt Private Activity Bonds, 4% Tax Credits, and other State and Local Funds. With the utilization of Tax-Exempt Private Activity Bonds the Authority must take official action as the issuing entity to qualify "good costs" and "bad costs" and the ability of the bond proceeds to pay for these cost. Under the so-called "good costs bad costs" test, at least 95% of bond proceeds must be used to pay or reimburse "good costs" of the project which were paid or incurred no earlier than 60 days before the issuer took official action. The official action is passing an Inducement Resolution evidencing its intent to issue bonds to provide financing for the facility.

Good costs are costs (i) which represent land or costs which the Owner may or is required to treat as depreciable for federal income tax purposes (i.e., capital or "brick and sticks" types of items (including construction period interest); and (ii) which are paid or incurred after the date not earlier than 60 days before Inducement Resolution. Bad costs include working capital, post construction period interest and various other non-depreciable costs. No more than 5% of net Bond proceeds can be used to fund bad costs. Bad costs in excess of 5% may be paid from equity, taxable bond proceeds or other sources other than tax-exempt Bond proceeds.

As the Inducement Resolution simply announces the Authority's intent to issue bonds at a later date, it poses no risk to the Authority. The resolution meets state and federal statutory requirements but does not obligate the Authority to issue bonds for the project.

### **Recommendation**

Approve Resolution No. 2012-2-22(3) which declares the Authority's intent to sell bonds in an amount not to exceed \$12,000,000.



# TACOMA HOUSING AUTHORITY

## RESOLUTION NO. 2012-2-22(3)

### HILLSIDE TERRACE PHASE I REDEVELOPMENT

A RESOLUTION of the Housing Authority of the City of Tacoma declaring its intention to sell bonds in an amount not to exceed \$12,000,000 to provide financing to a Washington limited liability limited partnership of which the Authority will be sole general partner in connection with the construction of the Hillside Terrace Phase I redevelopment project to be located at 2500 South G Street within the City of Tacoma, Washington, 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 within the City of Tacoma, Washington; and

**WHEREAS**, RCW 35.82.070(5) provides that a housing authority may, among other things and if certain conditions are met, "lease or rent any dwellings . . . buildings, structures or facilities embraced in any housing project"; 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(18) provides that a housing authority may, among other things and if certain conditions are met, "make . . . loans for the acquisition, construction, reconstruction, rehabilitation, improvement, leasing or refinancing of land, buildings, or developments for housing for persons of low income"; 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**, the Authority intends to form a Washington limited liability limited partnership of which the Authority will be the sole general partner (the "Borrower") to finance the construction of 70 apartment units as part of the Hillside Terrace Phase I redevelopment project, to be owned by the Authority and leased to the Borrower, located at 2500 Yakima Street in the City of Tacoma, Washington, to provide housing for low-income persons (the "Project"), the estimated cost of which is not expected to exceed \$20,991,748; and

**WHEREAS**, the Authority anticipates that the Borrower will request that the Authority issue and sell its revenue bonds for the purpose of assisting the Borrower in financing the Project; and

**WHEREAS**, the Authority desires to provide such assistance, if certain conditions are met; and

**WHEREAS**, Treasury Regulations Section 1.103-8(a)(5) requires that, in order for expenditures for an exempt facility that are made before the issue date of bonds issued to provide financing for that facility to qualify for tax-exempt financing, the issuer must declare an official intent under Treasury Regulations Section 1.150-2 to reimburse any such expenditures from the proceeds of those bonds, and one of the purposes of this resolution is to satisfy the requirements of such regulations;

***Resolved by the Board of Commissioners of the Housing Authority of the City of Tacoma, Washington as follows:***

1. To assist in the financing of the Project, with the public benefits resulting therefrom, the Authority declares its intention, subject to the conditions and terms set forth herein, to issue and sell its revenue bonds or other obligations (the "Bonds") in a principal amount of not to exceed \$12,000,000, and to reimburse itself or the Borrower, as applicable, from proceeds of the Bonds for expenditures for the Project made by itself or the Borrower before the issue date of the Bonds.
2. The proceeds of the Bonds will be used to assist in financing the Project, and may also be used to pay all or part of the costs incident to the authorization, sale, issuance and delivery of the Bonds.
3. The Bonds will be payable solely from the revenues derived as a result of the Project financed by the Bonds, including, without limitation, amounts received under the terms of any financing document or by reason of any additional security furnished by or on behalf of the Borrower in connection with the financing of the Project, as specified by resolution of the Board of Commissioners of the Authority. The Bonds may be issued in one or more series, and shall bear such rate or rates of interest, payable at such times, shall mature at such time or times, in such amount or amounts, shall have such security, and shall contain such other terms, conditions and covenants as shall later be provided by resolution of the Board of Commissioners of the Authority.
4. The Bonds shall be issued subject to the conditions that (a) the Authority, the Borrower and the purchaser of the Bonds shall have first agreed to mutually acceptable terms for the Bonds and the sale and delivery thereof and mutually acceptable terms and conditions of the loan or other agreement for the Project, and (b) all governmental approvals and certifications and findings required by laws applicable to the Bonds first shall have been obtained. The Executive Director of the Authority or his or her designee is authorized to seek an allocation of volume cap for the Bonds from the Washington State Department of Commerce.
5. For purposes of applicable Treasury Regulations, the Borrower is authorized to commence financing of the Project and advance such funds as may be necessary therefor, subject to reimbursement for all expenditures to the extent provided herein out of proceeds, if any, of the issue of Bonds authorized herein. However, the adoption of this resolution does not constitute a guarantee that the Bonds will be

issued or that the Project will be financed as described herein, or an endorsement of the Project by the Authority. The Board of Commissioners of the Authority shall have the absolute right to rescind this resolution at any time if it determines in its sole judgment that the risks associated with the issuance of the Bonds are unacceptable.

6. It is intended that this resolution shall constitute a declaration of official intent to reimburse expenditures for the Project made before the issue date of the Bonds from proceeds of the Bonds, for the purposes of Treasury Regulations Sections 1.103-8(a)(5) and 1.150-2.

ADOPTED by the Board of Commissioners of the Housing Authority of the City of Tacoma at an open public meeting this 22<sup>nd</sup> day of February, 2012.

**Approved:** February 22, 2012

  
Janis Flauding, Chair



# TACOMA HOUSING AUTHORITY

## CERTIFICATE

I, the undersigned, the duly chosen, qualified and acting 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. 2012-2-22(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 February 22, 2012, 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 22<sup>nd</sup> day of February, 2012.

*Michael Min*  
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Executive Director of the Authority