



TACOMA HOUSING AUTHORITY

RESOLUTION 2013-3-27 (5)

Date: March 27, 2013

To: THA Board of Commissioners

From: Michael Mirra
Executive Director

Re: Prairie Oaks – Tax Credit Investor and Construction Lender Selection (LASA)

BACKGROUND

LASA, a local nonprofit, has engaged THA to develop LASA's property in the City of Lakewood into a building for permanent housing for 15 homeless families and community and office space for LASA and its supportive service activity. This project has been the subject of several previous board resolutions committing THA funds for predevelopment expenses to be repaid from financing that this new resolution will select.

This resolution would give the executive director authority to negotiate with PNC for the tentative commitment of both a construction loan and a tax credit equity investment. A selection committee of THA and LASA staff, and consultants, chose PNC over other candidates. The final agreement would come back to the board for its final approval. **NOTE:** The project's financing for the community and office space is still uncertain. That financing is necessary before we can commit to the housing financing because both are part of the same building. The executive director, and the board, will not commit to any agreement for loans or tax credit equity for the housing portion until the necessary financing for the community and office space is in place. The resolution makes that clear by authorizing me only to executive a nonbinding letter of intent.

The Prairie Oaks financing structure includes 9% tax credit equity and construction financing. On February 14, 2013, THA issued a Request for Letters of Intent/Interest for the Construction Lender and the equity investor.

THA sent a Request for Letters of Intent/Interest to eighteen (18) tax credit investors and syndicators and eight (8) lenders. THA also advertised on WEBS and on our website. THA received two investor/lender joint proposals and one lender only proposal.

A committee consisting of THA staff (Walter Zisette, Ken Shalik/Duane Strom, Sandy Burgess and Roberta Schur) reviewed the proposals. THA's financial advisor, CSG Advisors advised the committee. Janne Hutchins, LASA's executive director, also participated in the review. The

committee conducted interviews on March 20, 2013.

The results from lowest to highest based only on total cost are as follows:

NAME	PNC	Key Bank	Boston Capital	PNC	Boston Capital
Lenders					
Ranking	1	2	3		
Total loan,	\$1,530,331	\$1,430,000	\$1,428,662		
Difference	\$0	\$10,144	\$43,660		
from Lowest					
Investors					
Ranking				1	2
Net Present				\$1,836,976	\$1,795,006
Value,				\$0	\$41,970
Difference					
from highest					

Based on the above rankings as well as other factors described below, Staff recommends that the Board authorize the executive director to negotiate with PNC for both the debit and equity and if these negotiations are successful to execute a nonbinding letter of intent.

LENDERS

The committee evaluated the written proposals based on the following criteria:

1. Financial terms and structure;
2. Terms of guarantees, if any, and amount and terms of required reserves
3. Qualifications, experience and capacity of the Respondent, its assigned personnel and third party professionals
4. Reasonableness of due diligence requirements and conditions to closing

Financial Terms and Structure

PNC will lend up to \$1,530,331 for construction. The terms of the construction loan are 24 months at 2.70 % based on the rate as of March 1, 2013. The origination fee is .50 %. The legal fees associated with the construction loan are capped at \$16,000

Terms of Guarantees

THA will be the guarantor during construction.

TAX CREDIT INVESTOR

The committee evaluated the written proposals based on the following criteria:

1. Financial terms and structure, including proposed equity pay in amount and timing
2. Terms of guarantees, if any, required of any entity, and amount and terms of operating or other reserves required
3. Qualifications, experience and capacity of the Respondent, its assigned personnel and third party professionals
4. Reasonableness of the due diligence requirements and conditions to closing

The proposal from PNC offers a purchase price of \$.88 per \$1 of tax credits for a total equity contribution to Gravelly Lake LLLP of \$ 1,947,562.

THA, as the General Partner of the LLLP will need to provide a Completion Guarantee and a Guarantee to cover any development cost overruns. In addition, THA will need to provide an unlimited operating deficit guarantee for five years. These are typical guarantees for a development project. THA will have a right of first refusal and a purchase option. We anticipate that LASA will replace THA as the General Partner at some point within the 15 year compliance period.

PNC has a great deal of experience working on mixed finance transactions with housing authorities and other developers. They are a national organization that provides debt and equity to projects across the country. PNC will be a direct investor in the project.

RECOMMENDATION

Approve Resolution 2013-3-27(5) authorizing THA's executive director to negotiate, and if those negotiations are successful, to execute a nonbinding letter of intent with PNC for the following: (a) construction loan for Prairie Oaks, (b) purchase of low income housing tax credits to be allocated to Prairie Oaks (Gravelly Lake LLLP), and (c) Amended and Restated Partnership Agreement between THA as General Partner and PNC as Investor Member. If negotiations are not successful, the executive director may negotiate and execute a nonbinding letter of intent with the firms next on the above list.



TACOMA HOUSING AUTHORITY

RESOLUTION 2013-3-37(5)

Prairie Oaks – Tax Credit Investor and Construction Lender Selection

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

Whereas, The Housing Authority of the City of Tacoma (the “Authority”) on February 14, 2013 solicited Letters of Intent/Interest for the construction financing and the purchase of low income housing tax credits for Prairie Oaks; and

Whereas, THA sent a Request for Letters of Intent/Interest to eight (8) lenders and eighteen (18) low income housing tax credit investors and syndicators, advertised on WEBS and on the Authority’s website; and

Whereas, THA received two (2) joint equity and debt proposals investors and one proposal from a construction lender; and

Whereas, the selection committee in consultation with CSG Advisors determined that the combined debt and equity proposal from PNC offers the best combination of terms and experience for construction lending and for the purchase of Low Income Housing Tax Credits; and

Whereas, the Contracting Officer, Michael Mirra, has reviewed the results of the evaluation committee and concurs that the committee’s recommendation be accepted;

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

1. The executive director has the authority to negotiate and, if those negotiations are successful, to execute a nonbinding letter of intent with PNC for (a) the construction loan for Prairie Oaks; (b) the purchase of low income housing tax credits to be allocated to Gravelly Lake LLLP for Prairie Oaks; (c) an Amended and Restated Partnership Agreement between THA as General Partner and PNC as Investor Member. If negotiations are not successful, the Executive Director may negotiate and execute a nonbinding letter of intent with the firms next on the list.

Approved: March 27, 2013


For Janis Fladding, Chair


CERTIFICATE [OPTIONAL SECTION]

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. 2013-3-27(5) (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 the 27th day of March 2013, 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 March 2013.



Michael Mirra, Executive Director