



TACOMA HOUSING AUTHORITY

RESOLUTION 2014-12-17 (4)

DATE: December 17, 2014
TO: Board of Commissioners
FROM: Michael Mirra, Executive Director
RE: Line of Credit from Heritage Bank

Background

This resolution would approve an unsecured line of credit of \$2 million with Heritage Bank.

Currently THA has adequate funds – working capital – to conduct its regular day-to-day activities and is able to advance funds for various ongoing projects when it is advantageous for the agency, and sufficient working capital is available. In recent years, however, THA’s working capital has shifted to include more restricted funds and less unrestricted funds.

Yet we still need unrestricted funds for many of THA’s acquisition, construction and rehabilitation projects, including bridge loans to projects. Additionally, due to planned uses of existing MTW working capital and HUD’s efforts to reduce the working capital of all MTW agencies, it is likely that THA’s MTW working capital will diminish further in the near future. Also, we must unfortunately consider the threat of recurring government shutdowns due to congressional impasses.

A line of credit would help THA meet these needs for short-term cash. This resolution would approve a \$2 million unsecured line of credit with Heritage Bank (THA’s primary banking relationship). The use of this line of credit would be limited to cover short-term needs (under one year). The resolution does not direct any particular use of the line of credit.

Recommendation

Approve Resolution 2014-12-17(4) authorizing the Executive Director to set up a revolving line of credit with Heritage Bank not to exceed the amount of \$2 million.



TACOMA HOUSING AUTHORITY

RESOLUTION 2014-12-17(4) LINE OF CREDIT FROM HERITAGE BANK

A RESOLUTION providing for the issuance of a single revenue note of the Authority in the principal amount of not to exceed \$2,000,000 at any one time outstanding, the proceeds of which will be used to finance and/or refinance the acquisition, construction and rehabilitation of housing and related facilities, to provide temporary funding for the Authority's Section 8 program and the Authority's services to residents, and to pay the costs of issuing the note; determining the form, terms and covenants of the note; authorizing the execution and delivery of documents and certificates in connection with the note; creating a note fund; and approving the sale and providing for the delivery of the note to Heritage Bank.

WHEREAS, the Housing Authority of the City of Tacoma (the "Authority") seeks to encourage the provision of housing for low-income persons residing in the City of Tacoma, Washington; and

WHEREAS, RCW 35.82.070(2) provides that a housing authority may acquire and operate housing projects; 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 provides that a housing authority may delegate to one or more of its agents or employees such powers or duties as it may deem proper; and

WHEREAS, the Board of Commissioners of the Authority (the "Board") finds it necessary and advisable and in the best interest of the Authority to issue the Note (defined herein) to finance and/or refinance the acquisition, construction and rehabilitation of housing and related facilities, to provide temporary funding for the Authority's Section 8 program and the Authority's services to residents, and to pay costs of issuing the Note, all to provide housing for low income persons within the City of Tacoma, Washington; and

WHEREAS, the Authority anticipates that Heritage Bank will offer to extend a line of credit evidenced by a revolving line of credit note of the Authority, on terms described herein, to provide money for those purposes;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE CITY OF TACOMA as follows:

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.

“Bank” means Heritage Bank, as registered owner of the Note.

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

“Commitment Letter” means the commitment letter with respect to the Note provided to the Authority by the Bank dated November 20, 2014, as it may be amended and supplemented, setting forth certain terms under which the Bank agrees to purchase the Note.

“Draws” means incremental draws upon the Note.

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

“General Revenues” means all revenues of the Authority from any source, but only to the extent that those revenues are available to pay debt service on the Note and are not now or hereafter pledged, by law, regulation, contract, covenant, resolution, deed of trust or otherwise (including restrictions relating to funds made available to the Authority under the U.S. Housing Act of 1937), solely to another particular purpose.

“HUD” means the U.S. Department of Housing and Urban Development.

“Interest Payment Date” means the first business day of each calendar month.

“Interest Period” means, with respect to any principal amount of the Note bearing interest at the LIBOR Note Rate, the period commencing on the date of the Draw (or the expiration of the last Interest Period) and ending 30 days thereafter. No Interest Period may extend beyond the Maturity Date of the Note.

“LIBOR” means the rate of interest per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Telerate Page 3750 (or any successor page) as the 1 Month London interbank offered rate for deposits in United States Dollars.

“LIBOR Note Rate” means the rate of interest per annum equal to LIBOR plus 2.50% per annum.

“Maturity Date” means October 31, 2015, as such date may be extended in accordance with Section 3.

“Note” means the Taxable Revolving Line of Credit Revenue Note, 2014 of the Authority issued pursuant to, under the authority of, and for the purposes provided in this resolution.

“Note Fund” means the Authority’s Taxable Revolving Line of Credit Revenue Note, 2014, created by this resolution for the purpose of paying principal of and interest on the Note.

“Note Register” means the books or records maintained by the Note Registrar containing the name and mailing address of the registered owner of the Note.

“Note Registrar” means the Executive Director.

“Prime Rate” means the rate of interest per annum announced from time to time by the Bank as its prime rate, with the Prime Rate changing on the opening of business on the day specified in the public announcement of a change in the Bank’s prime rate.

“Project” means, collectively, (1) the acquisition, construction and/or rehabilitation of housing and related facilities; (2) general governmental purposes, including the funding of payments to landlords in the Authority’s Section 8 program in advance of the receipt of HUD funds; and (3) services to the Authority’s residents.

“Registered Owner” means the Bank, as registered owner of the Note, or any subsequent owner of the Note.

Authorization and Description of Note. For the purpose of providing funds with which to finance and/or refinance all or part of the costs of the Project and pay costs of issuing the Note, the Authority may borrow money from time to time pursuant to a revolving line of credit extended by the Bank under the terms of this resolution and the Commitment Letter, and shall issue the Note in a principal amount of not to exceed \$2,000,000 at any one time outstanding. The Note shall be designated the Taxable Revolving Line of Credit Revenue Note, 2014 of the Authority; shall be issued in registered form; shall be dated its date of delivery to the Bank; and shall mature on the Maturity Date.

The Authority may request Draws upon the Note in any amount on any business day during the term of the Note for the purposes identified above, subject to the terms of the Commitment Letter. No Draw may exceed the total amount of the costs to be paid from such Draw, and the proceeds of each Draw shall be used immediately to pay those costs, or to reimburse the Authority for such costs paid by the Authority. Draws shall be recorded in such form as the Authority and the Bank may agree. Draws shall be limited to an aggregate principal amount of \$2,000,000 outstanding at any time.

Each Draw on the Note shall bear interest at either the Prime Rate or the LIBOR Note Rate, with such interest rate option chosen by the Executive Director of the Authority or his or her designee at the time of each Draw. At Borrower’s election, at the end of an Interest Period, any Draw bearing interest at the LIBOR Note Rate may continue to bear interest at the LIBOR Note Rate for another Interest Period, with the LIBOR Note Rate determined as of the first day of such new

Interest Period. If the Authority elects not to extend the LIBOR Note Rate with respect to any Draw, such Draw shall be converted to bear interest at the Prime Rate. Interest on each Draw shall accrue from the date of that Draw and shall be computed on the basis of a 360-day year and the actual number of days elapsed for the actual number of days the principal amount is outstanding. The interest rate shall be subject to adjustment upon the occurrence of an event of default as set forth in the Note.

Interest on the Note shall be payable in arrears on each Interest Payment Date to maturity or earlier redemption of the Note. Principal of the Note, together with all accrued and unpaid interest thereon, is payable on the Maturity Date.

If the Note is not paid when properly presented at the Maturity Date, the Authority shall be obligated to pay interest on the Note from and after the Maturity Date until the principal of and interest on the Note is paid in full.

Authorization for Extension and Modification of Note. The Executive Director is authorized, without further action of the Board but only with the consent and approval of the Bank, in the Bank's sole discretion, to (A) extend the then-current Maturity Date of the Note to any date on or before October 31, 2024, and (B) modify the interest rate or interest rate formulae applicable to Draws on the Note, so long as the interest rate formula selected to be applicable to the Note immediately after such modification does not cause the Note to bear interest at a rate in excess of 5% per annum as of the effective date of such modification, if the Executive Director determines that such extension and/or modification is in the best interest of the Authority, all as long as the provisions of Section 8 of this resolution regarding security for the Note are not changed in any material respect.

The Executive Director is authorized to do everything necessary for the execution and delivery of such documents as are useful or necessary to such extension of maturity and modification of the interest rate formula, including but not limited to the payment of Bank fees and execution of documents. The Executive Director's execution of documents in connection with the modification or extension of the Note as described herein will constitute conclusive evidence of his or her approval of the extensions and/or modifications described therein and the approval of the Authority of such extensions and/or modifications.

Designation of Officers to Make Draws. The Board authorizes the Executive Director or his or her designee to make Draws against the Note in such amounts, at such times as he or she may determine hereafter, those Draws to be made in accordance with the terms and provisions set forth herein and in the Commitment Letter.

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

The Note shall be issued only in registered form as to both principal and interest and recorded on the Note Register. The Note may not be assigned or transferred by the Bank, except that the Bank may assign or transfer the Note to any successor to the business and assets of the Bank.

Place, Manner and Medium of Payment. Both principal of and interest on the Note shall be payable in lawful money of the United States of America solely out of the Note Fund. Payment of interest on each Interest Payment Date, and of principal at maturity or prepayments of principal, shall be paid by check or draft of the Authority mailed or by immediately available funds delivered on or before each Interest Payment Date or the maturity or prepayment date to the registered owner at the address appearing on the Note Register on the last day of the month preceding the payment date. Upon the final payment of principal of and interest on the Note, the registered owner shall surrender the Note at the principal office of the Note Registrar in Tacoma, Washington, for destruction or cancellation in accordance with law.

Prepayment of Note. The Authority may not prepay a Draw bearing interest at the LIBOR Note Rate prior to the end of the applicable Interest Period. Except as set forth in the previous sentence, the Authority reserves the right to prepay all or a portion of the principal of the Note at any time without penalty. Any prepayment shall be accompanied by the amount of accrued interest on the principal amount prepaid. Written notice to the Bank of any intended prepayment or redemption of the Note shall not be required. Interest on the Note or the portion thereof so prepaid shall cease to accrue on the date of such prepayment.

Note Fund; Security for the Note. The Note Fund is created as a special fund of the Authority and is to be known as the Taxable Revolving Line of Credit Revenue Note Fund, 2014. The Note Fund shall be drawn upon for the sole purpose of paying the principal of and interest on the Note. The Authority pledges to deposit General Revenues into the Note Fund in amounts sufficient to pay the principal of and interest on the Note when due.

The Authority reserves without limitation the right to issue other obligations, the principal of and interest on which are to be paid from the General Revenues on a parity with payments on the Note. At its option, the Authority may pledge any portion of the General Revenues to the payment of other obligations of the Authority, such payments to have priority over the payments to be made on the Note with respect to that portion of the General Revenues so pledged.

The Note shall not be a debt of the City of Tacoma, the State of Washington or any political subdivision thereof, and the Note shall so state on its face. Neither the City of Tacoma, the State of Washington nor any political subdivision thereof (except the Authority from the sources specified herein) shall be liable for payment of the Note nor in any event shall principal of and interest on the Note be payable out of any funds other than the Note Fund. The owner of the Note shall not have recourse to any other fund of the Authority other than the Note Fund, or to any other receipts, revenues or properties of the Authority other than as described herein and in the Note. The Authority has no taxing power.

Neither the Authority (except to the extent of the pledge of its General Revenues) nor any of the Commissioners, officers or employees of the Authority shall be personally liable for the payment of the Note.

Form and Execution of Note. The Note 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 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 Note shall bear a Certificate of Authentication in the following form:

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

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.

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 this 17th day of December, 2014.

HOUSING AUTHORITY OF THE CITY OF
TACOMA

By: Arthur C. Banks
Stanley Rumbaugh, Chair

ATTEST:

Michael Mirra
Michael Mirra, Executive Director