



TACOMA HOUSING AUTHORITY

RESOLUTION 2014-6-25(4)

Date: June 25, 2014
To: THA Board of Commissioners
From: Michael Mirra
Executive Director
Re: Bay Terrace Public Housing Operating Subsidy Reserve

Background

The Board may recall that HUD is insisting that we include 26 public housing units in Bay Terrace Phase 1 instead of Section 8 Project Based Vouchers. This concerned us and our lenders and investors because the public housing subsidy is lower than the Section 8 subsidy. The financing from the lender and the investor had presumed upon the higher section 8 subsidy. As a result we have restructure aspects of the financing. Both the lender and investor have approved this restructuring. This resolution will allow for those changes. Here are the main changes:

- The conversion of Project Based Assistance to Public Housing results in modification to the source of subsidy, by AMI, as noted below:

Revenue Mix	AMI Served	Original No. of Units	Revised No. of Units
ACC	60%	0	26
PBV	60%	44	18
PBV	50%	2	2
TC	60%	24	24
	Total	70	70

- To make up the difference between the Public Housing (ACC) payment and the amount the Project Based Voucher would provide, the investors and lenders require THA to make operating subsidy payments to the Partnership that are equal to the difference between (i) the originally projected Section 8 rents for the 26 public housing units and (ii) the public housing rent collected (including a tenant contribution and public housing subsidies received for such units). This payment will continue until the rents generated by the 26 converted units are at least equal to the rents reflected in the original pro forma for the same period of time. In addition, THA must fund a "Subsidy Reserve" of \$532,604 with the proceeds of a THA Loan to be

advanced to the Partnership as part of this operating subsidy only approval.

Please note that these additional funds THA will pay for the operating subsidy attributed to the public housing portion is roughly equivalent to the amount that we had planned to pay anyway for the project-based assistance out of MTW funds. Since we are an MTW agency, it all comes from the same pot. The main new expense is the "Subsidy Reserve" of \$532,604. We did not plan for that. Yet we will get that money back once we convert the property to RAD.

Recommendation

Approve Resolution 2014-6-25(4) authorizing the Executive Director to advance to the Partnership operating subsidy payments and a THA loan in the amount of \$532,604 for a Public Housing Operating Subsidy Reserve.



TACOMA HOUSING AUTHORITY

RESOLUTION 2014-6-25(4) **Bay Terrace Public Housing Operating Subsidy Reserve**

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

Whereas, the Housing Authority closed on the Bay Terrace Phase I financing on April 3, 2013;

Whereas, the Housing Authority of the City of Tacoma, at HUD direction, seeks to restructure the project to replace 26 Project Based Section 8 Units with 26 Public Housing Units and submit for a Mixed Financed Operating Subsidy Only review;

Whereas, the lender and investor support the restructuring;

Whereas, THA will make operating subsidy payments to the Partnership in an amount equal to the difference between (i) the originally projected Section 8 rents for the 26 public housing units and (ii) the public housing rent collected (including a tenant contribution and public housing subsidies received for such units);

Whereas, THA will provide an Operating Subsidy Reserve in the amount of \$532,604 to be funded with the proceeds of a THA Loan and is to be advanced to the Partnership as part of this operating subsidy only approval.

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

1. The Executive Director is authorized to advance to the Partnership operating subsidy payments and a THA loan in the amount of \$532,604 for a Public Housing Operating Subsidy Reserve.

Approved: June 25, 2014



Greg Mowat, Chair