



TACOMA HOUSING AUTHORITY

RESOLUTION 2010-6-23(2)

DATE: June 23, 2010

TO: Board of Commissioners

FROM: Michael Mirra, Executive Director

RE: Restructuring Infrastructure Improvement Revenue Bonds

Background

In January 2008 THA closed on a bond transaction with Citibank in the amount of \$13,200,000 to help pay for the costs associated with the infrastructure work in Area 3 of Salishan. The board passed two resolutions to authorize this transaction, Resolution 2007-10-24 (1) and 2007-12-12 (2). The deal was structured so that THA would use the proceeds of the sale of the 182 home ownership lots to repay the bonds. However, given the current market conditions, it is unlikely that THA will be able to sell a sufficient number of lots to repay the bonds by the maturity date (February 1 2011). In addition, the maturity date needs to be extended now in order for this to not be considered a short-term liability on THA's books which would be deleterious to THA.

In order to address the aforementioned issues, THA staff has been working with Citibank staff to restructure the deal. Several business terms have been modified including, but not limited to the following:

- an extended maturity date from February 1, 2011 to July 1, 2013;
- a reduction of the interest rate from 6.25% to 3%;
- new ability of THA to pay down the loan principal as lots are sold;
- decrease the lot release prices from between \$80,000 and \$90,000 to current appraised value;
- adding to Citibank's security that number of Area 2B lots whose total value will equal \$800,000 (approximately 15 to 20 lots). NOTE: HUD must approve this use of those lots. Until HUD approves, THA will provide cash collateral of \$830,000.
- establishment of a revolving loan fund that THA can use to incentivize home builders and to assist the not-for-profit developers.

Recommendation

Approve Resolution 2010-6-23(2) authorizing the Executive Director to authorize the issuance of up to \$13,200,000 in tax exempt revenue bonds; secure the bonds with the future sale proceeds from (i) the home ownership lots in Area 3, (ii) with HUD approval, approximately 20 Area 2B for sale lots, and (iii) until HUD approves the 20 Area 2B lots as collateral, \$830,000 in cash; and execute the bond documents.



TACOMA HOUSING AUTHORITY

RESOLUTION 2010-6-23(2)

(RESTRUCTURING INFRASTRUCTURE IMPROVEMENT REVENUE BONDS)

A RESOLUTION providing for the restructuring of the Housing Authority of the City of Tacoma Infrastructure Improvement Revenue Bonds, Series 2008 issued and currently outstanding in the aggregate principal amount of \$13,200,000, the proceeds of which were used to finance the construction of infrastructure improvements on property owned by the Authority as part of the Salishan redevelopment project; approving the forms of a supplemental trust indenture and other agreements and documents; and authorizing the execution and delivery of the supplemental trust indenture, amended and restated bonds and other agreements, documents and certificates.

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 in the City of Tacoma, Washington;

Whereas, RCW 35.82.070(2) provides that a housing authority may “prepare, carry out, acquire, lease and operate housing projects” and “provide for the construction, reconstruction, improvement, alteration or repair of any housing project or any part thereof . . .”;

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”;

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;

Whereas, RCW 35.82.070(5) provides that a housing authority may pledge any interest in real property;

Whereas, 42 USC 1437z-2 permits the Secretary of the United States Department of Housing and Urban Development (“HUD”) to authorize a public housing agency to mortgage or otherwise grant a security interest in a public housing project or other property of the public housing agency;

Whereas, pursuant to Resolution No. 2007-10-24(1) adopted on October 24, 2007, as amended and supplemented by Resolution No. 2007-12-12(2) adopted on December 12, 2007, the Authority issued its Infrastructure Improvement Revenue Bonds, Series 2008 (the “Bonds”), in the original aggregate principal amount of \$13,200,000, to provide part of the funds with which to construct infrastructure improvements on property owned by the Authority, as part of the Salishan redevelopment project, to provide housing for low-income persons within the City of Tacoma, Washington (the “Project”);

Whereas, the Bonds are payable, in part, from the net proceeds from the sale of 182 certain individual lots, as depicted on Plat of Salishan Division 3, prepared by Parametrix, dated December 4, 2007 (the “Lots”); and

Whereas, because of certain changes in expectations regarding the timing of the sale of the Lots and the amount of net proceeds to be received from the sale of those Lots, the Authority and Citicorp Municipal Mortgage Inc. (the “Bondowner Representative”), as the owner of all of the outstanding Bonds, have agreed to restructure certain provisions of the Bonds and the related documents to, among other things, extend the maturity date of the Bonds, modify the redemption provisions of the Bonds, revise minimum Lot sale prices and certain provisions relating to the release of Lots from the lien of the Deed of Trust, and provide for future pledges of security interests in certain individual lots located in Salishan Division 4 or Area 2b (“Additional Collateral – Area 2b”) as additional security for the Bonds; and

Whereas, in order to effect the modification of the terms of the Bonds agreed to by the Authority and the Bondowner Representative, it is necessary to amend certain provisions of the Bonds, the Trust Indenture (as amended from time to time, the “Indenture”) relating to the Bonds between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “Trustee”) ; and certain other documents and agreements; and

Whereas, it is in the best interest of the Authority to modify the terms of the Bonds and amend the Indenture and certain other documents relating to the Bonds;

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

1. Definitions. As used in this resolution, the following words have the following meanings:

“Additional Collateral - Area 2b” means such individual lots located in Salishan Division 4 or Area 2b, as shown on the Plat of Salishan Division 4 prepared by Parametrix , dated June 21, 2010 , as may be added to the Deed of Trust Property from time to time.

“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.

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

“Bondowner Representative” means Citicorp Municipal Mortgage, Inc.

“Bond” or “Bonds” means one or more of the Housing Authority of the City of Tacoma Infrastructure Improvement Revenue Bonds, Series 2008, or any replacement thereof

authorized by, and at any time outstanding pursuant to, under the authority of and for the purposes provided in the Bond Resolution and the Indenture.

“Bond Resolution” means, collectively, Resolution No. 2007-10-24(1) adopted by the Authority on October 24, 2007, as amended and supplemented by Resolution No. 2007-12-12(2) adopted by the Authority on December 12, 2007, and this resolution.

“Code” means the Internal Revenue Code of 1986, as amended.

“Deed of Trust” means the Construction Deed of Trust, with Assignment of Rents, Security Agreement and Fixture Filing made by the Authority for the benefit of the Trustee, as beneficiary, as it may be amended from time to time.

“First Supplemental Indenture” means the First Supplemental Trust Indenture between the Authority and the Trustee relating to the Bonds and approved by this resolution.

“HUD” means the Secretary of the United States Department of Housing and Urban Development and his designees.

“Indenture” means the Trust Indenture dated as of January 1, 2008, between the Authority and the Trustee relating to the Bonds, as it may be amended from time to time, including by the First Supplemental Indenture.

“Lots” means the 182 individual lots to be subdivision, composing the original Deed of Trust Property as of January 22, 2008, as depicted on Plat of Salishan Division 3, prepared by Parametrix, dated December 4, 2007. “Lots” expressly excludes Additional Collateral – Area 2b.

“Project” means, depending on the context, (i) the construction of infrastructure improvements on certain property constituting “Area 3” of the Authority’s Salishan redevelopment project, or (ii) such improvements and property.

“Sale Proceeds” means the net proceeds, if any, from the sale of lots in Area 3 of the Salishan redevelopment project designated for home ownership.

“Security Document Amendments” any amendments, supplements or modification of the original Security Documents, (as defined in the indenture) that the Executive Director determines to be necessary or desirable in connection with the modification of the Bonds authorized by this resolution.

“Trustee” means the trustee under the Indenture, currently The Bank of New York Mellon Trust Company, N.A., as successor to The Bank of New York Trust Company, N.A.

All capitalized terms used but not defined herein shall have the meanings assigned to them in the Indenture.

2. General Approval of Modification of Bonds. The Authority hereby approves the modification of the terms of the Bonds substantially as described in the form of the First Supplemental Indenture on file with the Executive Director of the Authority, with additional or alternative modifications as the Executive Director of the Authority shall deem necessary or appropriate.
3. Approval of Pledge of Additional Security for the Bonds. The Bonds are currently secured by a pledge of the Sale Proceeds received by the Authority, by amounts held by the Trustee under the Indenture; the General Revenues of the Authority up to a maximum amount of \$3,300,000, subject to the parity lien of other obligations; and by other funds and assets, all as set forth in the Indenture. In connection with the modification of the terms of the Bonds, the Authority approves the grant of security interests in Additional Collateral – Area 2b from time to time, as described in the First Supplemental Indenture. Until HUD approves the use of Area 2B lots as collateral, THA will provide \$830,000 in cash to be held by the trustee. Upon HUD’s approval, the Trustee will return this cash to THA.
4. Form and Execution of Bonds. The amended and restated Bonds shall be in a form consistent with the provisions of the Bond Resolution, the Indenture and state law, shall bear the manual or facsimile signatures of the Chair of the Board and Executive Director of the Authority and shall be impressed with the seal of the Authority or shall bear a facsimile thereof. The amended and restated Bonds shall be authenticated by the Bond Registrar as set forth in the Indenture. No Bonds shall be valid for any purpose until so authenticated.

The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of the Bond Resolution.

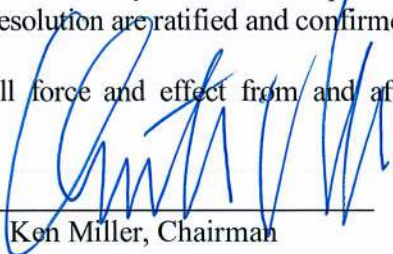
5. Preservation of Tax Exemption for Interest on Bonds. The Authority covenants that it will take all actions necessary to prevent interest on the Bonds from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the Bonds or other funds of the Authority treated as proceeds of the Bonds at any time during the term of the Bonds which would cause interest on the Bonds to be included in gross income for federal income tax purposes. The Authority also covenants that, to the extent arbitrage rebate requirements of Section 148 of the Code are applicable to the Bonds, it will take all actions necessary to comply (or to be treated as having complied) with those requirements in connection with the Bonds, including the calculation and payment of any penalties that the Authority has elected to pay as an alternative to calculating rebatable arbitrage, and the payment of any other penalties if required under Section 148 of the Code to prevent interest on the Bonds from being included in gross income for federal income tax purposes.

6. Authorization of Documents and Execution Thereof. The Board approves the First Supplemental Indenture and, substantially in the forms on file with the Executive Director of the Authority, with such changes as the Executive Director of the Authority shall deem necessary or appropriate. The Board authorizes and approves the execution by the Executive Director of the Authority and delivery of the amended and restated Bonds, the First Supplemental Indenture, the [Security Document Amendments] any other documents reasonably required to be executed by the Authority to carry out the transactions contemplated by this resolution or, the First Supplemental Indenture. The Board authorizes and approves the performance by the Authority of its obligations contained in, and the consummation by the Authority of all other transactions contemplated by the Bond Resolution, the Indenture as amended by the First Supplemental Indenture and the Security Documents as amended by the [Security Document Amendments]. The appropriate Authority officials are authorized and directed to do everything necessary in connection with the modification of the Bonds and the execution and delivery of the amended and restated Bonds, including the execution and delivery of the First Supplemental Indenture, the [Security Document Amendments] and any other documents that may be useful or necessary in connection with the modification of the Bonds.
7. HUD Approvals. The Authority shall submit documents and materials to HUD as necessary to obtain approval for the modification of the Bonds, if necessary, and for the pledge of the Additional Collateral – Area 2b, and shall take any other actions as necessary to obtain HUD approval of the transactions contemplated by this resolution and the First Supplemental Indenture.
8. Designation of the Bonds as a “Qualified Tax-Exempt Obligation.” It is anticipated that the Bonds will be treated as reissued under the Code. The Authority has determined and certifies that (a) the Bonds are not “private activity bonds” within the meaning of Section 141 of the Code; (b) the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) that the Authority and all entities subordinate to the Authority (including any entity that the Authority controls, which derives its authority to issue tax-exempt obligations from the Authority or that issues tax-exempt obligations on behalf of the Authority) will issue during the calendar year in which the Bonds are issued will not exceed \$30,000,000; and (c) the amount of tax-exempt obligations, including the Bonds but excluding qualified 501(c)(3) bonds, designated by the Authority as “qualified tax-exempt obligations” for the purposes of Section 265(b)(3) of the Code during the calendar year in which the Bonds are issued, does not exceed \$30,000,000. The Authority designates the Bonds as a “qualified tax-exempt obligation” for the purposes of Section 265(b)(3) of the Code.]
9. Acting Officers Authorized. Any action required by this resolution to be taken by the Chair of the Board or Executive Director of the Authority may in the absence of such person be taken by the duly authorized acting Chair of the Board or acting Executive Director of the Authority, respectively.

10. 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.

11. Effective Date. This resolution shall be in full force and effect from and after its adoption and approval.

Adopted: June 23, 2010



Ken Miller, Chairman

SCHEDULE I
SECURITY DOCUMENT AMENDMENTS

- Amendment to Construction Deed of Trust, with Assignment of Rents, Security Agreement and Fixture Filing, dated as of January 1, 2008

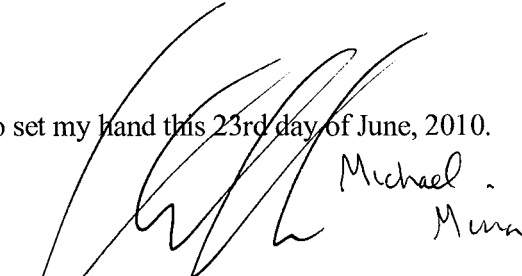
CERTIFICATE

I, the undersigned, the duly chosen, qualified and acting Secretary-Treasurer and 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. 2010-6-23(2) (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 June 23, 2010, 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 23rd day of June, 2010.

By:  Michael Muna
Executive Director and Secretary-Treasurer
of the Authority