



## RESOLUTION 2024-1-24 (2)

**Date:** January 24, 2024

**To:** THA Board of Commissioners

**From:** April Black  
Executive Director

**Re:** Heritage Bank \$2 million Line of Credit.

---

*This resolution would change the interest rate index from LIBOR to the Wall Street Journal Prime Rate and extend the maximum maturity date for the existing \$2 million Taxable Revolving Line of Credit Revenue Note, 2014, with Heritage Bank.*

### BACKGROUND

On December 17, 2014, the Board approved Resolution 2014-12-17(4) authorizing the Executive Director to set up a \$2 million line of credit with Heritage Bank for short-term needs (under one year) without directing any particular use of the line of credit. The initial maturity date of the line of credit was October 31, 2015.

The resolution authorized the Executive Director to extend the maturity date of the Note up to October 31, 2024, as well as modify the interest rate for the Note based on the LIBOR Note Rate (LIBOR plus 2.50% per annum, as long as the modification does not cause the Note to bear interest at a rate in excess of 5% per annum.

On December 12, 2018, the Board approved Resolution 2018-12-12(4) authorizing the Executive Director to execute documents increasing the “not to exceed” LIBOR Note Rate for the \$2 million line of credit from 5% per annum to 10% per annum due to changing market rates.

Banks have discontinued the LIBOR note rate index, and it is being replaced with other index rates, such as the Secured Overnight Financing Rate (SOFR) and the Wall Street Journal (WSJ) Prime Rate index. The WSJ defines its Prime Rate as the “base rate posted by at least 70% of the nation’s largest banks”.

Heritage Bank uses the WSJ Prime Rate index and defines its Prime Note Rate as the WSJ Prime Rate minus 0.65% per annum.

#### RECOMMENDATION

Approve Resolution 2024-1-24 (2) authorizing the Executive Director to execute documents modifying the Note interest rate index from the LIBOR Note Rate to the Wall Street Journal Prime Note Rate index, not to exceed 10% per annum, and authorizing the Executive Director to extend the maturity date of the Note up to October 31, 2034.



**RESOLUTION 2024-1-24 (2)**

**Amendment to note rate index and maximum maturity date for the \$2 million Heritage Bank Taxable Revolving Line of Credit Revenue Note, 2014**

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

**WHEREAS**, on December 17, 2014, the Board approved Resolution 2014-12-17(4) approving an unsecured line of credit of \$2 million with Heritage Bank and authorizing the Executive Director to extend the Maturity Date through October 31, 2024; and

**WHEREAS**, on December 12, 2018, the Board approved Resolution 2018-12-12(4) approving increasing the cap of the interest rate to 10% per annum on the LIBOR Note Rate to accommodate changing market conditions; and

**WHEREAS**, banks no longer use the LIBOR rate index, and Heritage Bank defines its Prime Rate as the Wall Street Journal Prime Rate, minus 0.65% per annum; and

**WHEREAS**, the Authority continues to have a need to use the Taxable Revolving Line of Credit Revenue Note, 2014, beyond the maximum maturity date of October 31, 2024; now, therefore, be it

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

The Executive Director is authorized to execute documents allowing Heritage Bank to modify the Note interest rate index used to determine Heritage Bank's Prime Rate from the LIBOR Note Rate to the Wall Street Journal Prime Note Rate index to where any modification does not cause the Note to bear interest at a rate in excess of 10% per annum as of the effective date of such modification.

With the consent and approval of Heritage Bank, the Executive Director is authorized to extend the then-current Maturity Date of the Note to any date on or before October 31, 2034.

**Approved: January 24, 2024**

  
**Dr. Minh-Anh Hodge, Chair**