

Project title: Resolution Concerning Close-Out of the City's New Markets Tax Credits Program

Council Bill #

Agenda dates requested:

May 5, 2021

Briefing

Proposed action

Consent

Action

Ordinance

Public hearing

Yes No

Budget amendment:

Yes No

PowerPoint presentation:

Yes No

Attachments:

Resolution

Department(s) involved:

Public Works, Legal

Contact person:

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Initialed by:

Department head

Administration

Council President

Project: New Market Tax Credits Program Close-Out

Partner/Supplier : Heritage Bank

Location: Throughout Snohomish County, but mostly within Everett city limits

Preceding action: Several City Council Resolutions from 2009-2014

Fund: N/A

Fiscal summary statement: N/A

Project summary statement: In 2009, the City Council authorized an application to the United States Treasury for New Markets Tax Credits (NMTC). The application was granted, and the City's NMTC program received a NMTC allocation of \$25 million for NMTC eligible investments. The NMTC allocation proved very challenging for the City use, as the NMTC requirements are onerous and many local businesses could not find good use for them. In 2013-2014, the City was approached by Whidbey Island Bank (now Heritage Bank) with a plan to use the NMTC allocation to fund low interest loans to local businesses. This approach was approved by City Council and the entire allocation was used. Two of the largest low-interest loans helped fund the construction of the Harnish Chevrolet of Everett on Evergreen Way and helped fund the construction of the Hampton Inn in downtown Everett.

Under the NMTC program, a NMTC allocation in essence lasts seven years, and we are now at the seven-year mark. Because of this, under standard NMTC processes, the \$25 million invested by Heritage Bank will be returned through a combination of loan transfers and cash, and the City's NMTC program closed-out. The proposed resolution authorizes the Mayor to take all actions necessary to close out the City's NMTC program.

Recommendation (exact action requested of Council): Adopt the Resolution Concerning Close-Out of the City's New Markets Tax Credits Program



RESOLUTION NO. _____

A Resolution Concerning Close-Out of the City's New Markets Tax Credits Program

WHEREAS,

- A. In 2009, the City Council in Resolution No. 6118 authorized an application to the United States Department of the Treasury's Community Development Financial Institutions Fund ("CDFI") for an allocation of new markets tax credits ("NMTC"). As part of this process, the City Council authorized the City of Everett to create City of Everett CDE LLC ("Company") as a Washington limited liability company comprised of the City as its sole member and manager.
- B. The Company applied for and was awarded by the CDFI in 2009 the right to deploy \$25,000,000 of NMTC allocation to NMTC eligible investments.
- C. Approximately seven years ago, the Company with Heritage Bank deployed the NMTC allocation as low-interest loans to local projects. In this deployment, the Company created three entities, named Everett Sub-CDE I, Everett Sub-CDE II, and Everett Sub-CDE III ("Subcompanies"), in order to deploy the allocation. The Company is the managing member of the Subcompanies, and Heritage Bank is the investor member in each of the Subcompanies having invested a total of \$25 million
- D. Under the NMTC rules, after seven years the deployment must end, and the \$25 million invested by Heritage Bank is being returned through a combination of cash and loan assignments by the Subcompanies. Once this is complete, the City's NMTC program will be closed-out.
- E. The City Council desires to authorize the Mayor to take all actions necessary to close-out the City's NMTC program.

NOW, THEREFORE, BE IT RESOLVED THAT:

The Mayor is authorized to take all actions necessary to close-out the City's NMTC program, including without limitation authority to (i) execute redemption agreements with Heritage Bank and to execute all other instruments and agreements necessary to close-out the NMTC program and (ii) execute all agreements and instruments necessary to dissolve and liquidate the Company and the Subcompanies, all in form approved by the City Attorney.

Councilmember introducing resolution

Passed and approved this ____ day of _____, 2021.

Council President

Date: _____