

## Attachment 1

### TERM SHEET (DRAFT)

#### CITY OF SEATTLE - COMMUNITY ROOTS HOUSING PDA LOAN TERMS

This term sheet summarizes the proposed terms of a loan in the maximum principal amount of \$1,000,000 in General Fund funds from the City of Seattle, Office of Housing (“OH”) to Community Roots Housing, a Washington public corporation (“CRH”), to mitigate the financial impacts of COVID-19 through Council passage of Ordinance \_\_\_\_\_. The below terms remain subject to further review and negotiation by the parties.

- 1) **Loan Amount and Funding Source:** OH, for and on behalf of The City of Seattle, will lend up to \$1,000,000 of General Fund funds (the “Loan”) to CRH pursuant to a promissory note and a loan agreement (collectively, the “Loan Documents”). The appropriation for the Loan is included in the Finance General Reserves Budget Control Level (00100-BO-FG—2QD00) provided in the City’s Fourth Quarter Supplemental, which amends the 2020 Adopted Budget through Council passage of Ordinance \_\_\_\_\_.
- 2) **Allowable Uses:** The proceeds of the Loan will be used by CRH to address operating losses and cash flow issues at the organizational level due to ongoing reductions in operating revenues, increased operating expenses, and delays in developer fee revenues, all of which have resulted from the COVID-19 pandemic. The loan proceeds may only be used by CRH to pay for general operating expenses for the organization that CRH is unable to meet from other revenue sources. These operating expenses include rent, utilities, wages/payroll, insurance, taxes and other general operating expenses. Allowable uses of the Loan proceeds will be further described in the Loan Documents. Proceeds may not be invested or loaned to other organizations.
- 3) **Draws on the Loan:** CRH may draw on the Loan by providing a request to the OH Director in writing describing (i) the proposed use of the funds; and (ii) the amount of funds to be drawn. The form of the Loan draw will be described in further detail in the Loan Documents and will be in a form acceptable to the City of Seattle. CRH is not entitled to any Loan draw unless the proposed use of funds complies with the allowable uses described in the Loan Documents. CRH may initiate one draw on the Loan in writing to OH for the full principal amount of \$1 million or may draw on the Loan in incremental amounts. All draws must be made in 2021, and no loan draws may be made after December 31, 2021. The principal amount of the Loan outstanding may not exceed \$1 million at any time.
- 4) **Interest:** The Loan will bear interest at the rate of the City’s internal rate of borrowing. As of October 2020, the City’s investment rate of return was 1.6%. This rate of return is subject to change from month to month. The interest expense will be borne by the City and will not be payable by CRH.
- 5) **Repayment of Loan Principal:** Installments will be due upon the earlier of the schedule included in the Loan Documents, or upon demand by the City in the event of default by CRH. The principal amount of the Loan shall be payable in two annual installments due on April 15 and October 15 during each year of repayment. The repayment schedule tentatively agreed to by the City and CRH contemplates six (6) repayments in total, with the first payment due in April 2023 and the final payment due in October 2025.

	2021	2022	2023	2024	2025
Loan Outstanding	1,000,000	1,000,000	1,000,000	666,667	\$ 333,333
Repayment Schedule					
15-Apr	\$ -	\$ -	\$ (166,667)	\$ (166,667)	\$ (166,667)
15-Oct	\$ -	\$ -	\$ (166,667)	\$ (166,667)	\$ (166,667)
Total Repayments	0	0	\$ (333,333)	\$ (333,333)	\$ (333,333)
Total Loan Outstanding	1,000,000	1,000,000	666,667	\$ 333,333	\$ -

- 6) **Extension of the Repayment Schedule:** If CRH is unable to fully repay the principal by the maturity date defined in the Loan Documents due to financial hardship, the OH Director may, per Council Ordinance \_\_\_\_\_, extend the Loan term for an additional period of up to three (3) years in the OH Director’s reasonable discretion.
- 7) **Terms May be Adjusted:** Due to the changing economic environment caused by the COVID-19 pandemic, the terms described in this term sheet may be modified as may be agreed upon by the parties, and any such modifications shall remain consistent with Council Ordinance \_\_\_\_\_.
- 8) **Reporting on Use of Loan Funds:** The Loan Documents will require CRH to periodically report on the use of the Loan proceeds to allow the City to verify that the actual use of the proceeds complies with the terms and conditions of the Loan Documents.