

**RESOLUTION NO. \_\_\_\_\_**

**APPROVAL OF BEECHER PHASE IV PREDEVELOPMENT BUDGET**

**Item No. 5a**

WHEREAS, the Louisville Metro Housing Authority (LMHA) has received approval of the Beecher Russell Choice Neighborhood Initiatives (CNI) Grant in the amount of \$29,575,000; and also, an additional \$4MM CNI Supplemental Grant; and

WHEREAS, LMHA and the project Developer (McCormack Baron Salazar-MBS) are currently in the process of preparing for the fourth and fifth phases of the project development; and

WHEREAS, the Beecher Phase IV development project will consist of 20 Market Rate units, 47 Low Income Housing Tax Credit units, 42 Project Based Voucher/Tax Credit units, and 21 Rental Assistance Demonstration (RAD) units; for a combined total of 130 units; and

WHEREAS, the Beecher Phase IV development project is anticipated for project closing date of August 2021 or August 2022 contingent upon the actual funding sources for the phase.

WHEREAS, there are specific predevelopment activities that are required in advance of the formal HUD approval and closing of the Beecher Russell Phase IV development proposal; and

WHEREAS, the attached Phase IV Predevelopment Budget represents both LMHA's and MBS' best estimate of the required predevelopment activities associated with the Beecher Phase IV implementation; and

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WHEREAS, the Predevelopment Budget will be memorialized by a Predevelopment Loan Agreement to represent the obligations of both LMHA and MBS within the Phase IV predevelopment activities.

NOW, THEREFORE, BE IT RESOLVED BY THE LOUISVILLE METRO HOUSING BOARD OF COMMISSIONERS that the attached Beecher Russell Phase IV Predevelopment Budget in the total amount of \$1,651,165 is approved, subject to any required HUD approval.

BE IT FURTHER RESOLVED that LMHA's contribution to the Beecher Russell Phase IV Predevelopment Budget in the amount of \$1,337,965 is also approved.

**RESOLUTION BACKGROUND STATEMENT**

**APPROVAL OF BEECHER PHASE IV PREDEVELOPMENT BUDGET**

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**I. STATEMENT OF FACTS:**

The Louisville Metro Housing Authority (LMHA) has received notification of the Beecher Russell Choice Neighborhood Grant award in the amount of \$29,575,000. In this regard, the LMHA Staff and the project Developer (McCormack Baron Salazar-MBS) have begun the project's Phase IV Development Budget projections to include the required Predevelopment Budget projections. As with all the prior project phases, there are specific project development activities that are required prior to completing the project Phase's financial projections and the accompanying Evidentiary documents required for formal project phase closing. In this regard, LMHA and MBS have negotiated and prepared the attached Beecher Russell Phase IV Predevelopment Budget in the total amount of \$1,651,165.

The Beecher Phase IV Development project will be constructed on three (3) Beecher Terrace blocks bordered on the west by 13<sup>th</sup> Street, bordered on the east by 11<sup>th</sup> Street, bordered on the south by Muhammad Ali Boulevard, and bordered on the north by Fisk Court/Liberty Street. The Beecher Phase IV project will consist of 130 units situated in 18 separate building structures. The Beecher Phase IV units will consist of 20 Market Rate units, 47 Low Income Housing Tax Credit units, 42 Project Based Voucher/Tax Credit units, and 21 Rental Assistance Demonstration (RAD) units.

We have noted below a comparison of the proposed Beecher IV Predevelopment Budget to the prior Beecher I, II, and III approved Predevelopment Budgets and also the proposed Beecher V Predevelopment Budget:

	<u>Total Budget</u>	<u>Per Unit Cost</u>	<u>Board Approval Date</u>
Beecher I: (117 units)	\$1,118,741	\$ 9,562	1/17/2017
Beecher II: (106 units)	1,276,070	12,038	1/16/2018
Beecher III: (178 units)	1,964,490	11,036	4/16/2019
Beecher IV: (130 units)*	1,651,165	12,701	12/15/2020?
Beecher V: (80 units)*	1,032,185	12,902	12/15/2020?

\*Proposed

## RESOLUTION BACKGROUND STATEMENT

### APPROVAL OF BEECHER PHASE IV PREDEVELOPMENT BUDGET

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#### I. STATEMENT OF FACTS (cont.):

Within the Predevelopment Budget cost sharing arrangement, it is typical for the HUD Grantee (LMHA) to share 75% of the predevelopment costs and for the project Developer (MBS) to share 25%. In this regard, LMHA's portion of the Phase IV Predevelopment Budget is projected to be \$1,337,965. It is important to note and consider that all the LMHA predevelopment costs are also included within each Development Phase Proposal and will be reimbursed/credited to LMHA subsequent to the project's formal closing process; similar to the Beecher phase closings noted above. The Beecher Phase IV development phase is anticipated for project closing date of August 2021 or August 2022 contingent upon the actual funding sources for the development phase.

It is also common for the Predevelopment Budgets to be memorialized by a formal Predevelopment Loan agreement. The Predevelopment Loan document will be reviewed and approved by LMHA's legal counsel, Reno & Cavanaugh, in Washington, DC and Stites & Harbison.

#### II. ALTERNATIVES:

- A. Approve the Beecher Russell Phase IV Predevelopment Budget as presented.
- B. Approve a modified version of the Beecher Russell Phase IV Predevelopment Budget.
- C. Do not approve the Beecher Russell Phase IV Predevelopment Budget at this time.

#### III. RECOMMENDATION:

Staff recommends Alternative "A"

**RESOLUTION BACKGROUND STATEMENT**

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**IV. JUSTIFICATION:**

- There are specific project related costs that are required prior to the formal submission of the project phase for formal closing.
- The Beecher Russell Phase IV Predevelopment Budget has been prepared to capture all the required pre-closing expenses in which LMHA will fund 75% of the projected pre-closing costs and the project Developer (MBS) will fund 25%.
- The Predevelopment Budget has been reviewed by both LMHA Staff and LMHA's Financial Advisor, DuVerney & Brooks, for appropriateness and reasonableness, and also by the Authority's Audit Finance Committee.
- LMHA's contribution amount of \$1,337,965 will be reimbursed/credited to LMHA from the Phase IV Development Budget subsequent to the formal closing of the Beecher Russell Phase IV project.

**V. BUDGET APPROVAL:**

Funding for the Beecher Russell Phase IV Predevelopment Budget is provided within LMHA's Capital Fund Program.

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Angela Larsson, Director of Finance

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Date

Prepared By: Wavid C. Wray  
Deputy Executive Director, Finance  
December 15, 2020