

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

**APPROVAL OF BEECHER PHASE V PREDEVELOPMENT BUDGET**

**Item No. 5b**

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 an additional \$4MM Supplemental CNI 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 V development project will consist of 20 Market Rate units, 30 Low Income Tax Credit units, and 30 Project Based Voucher/Tax Credit units, for a combined total of 80 units; and

WHEREAS, the Beecher Phase V 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 V development proposal; and

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

NOW, THEREFORE, BE IT RESOLVED BY THE LOUISVILLE METRO HOUSING BOARD OF COMMISSIONERS that the attached Beecher Russell Phase V Predevelopment Budget in the total amount of \$1,032,185 is approved, subject to any required HUD approval.

BE IT FURTHER RESOLVED that LMHA's contribution to the Beecher Russell Phase V Predevelopment Budget in the amount of \$833,485 is also approved.

## RESOLUTION BACKGROUND STATEMENT

### APPROVAL OF BEECHER PHASE V 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 V Development Budget projections to include the required Predevelopment Budget projections. As with all the 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 V Predevelopment Budget in the total amount of \$1,032,185.

The Beecher Phase V Development project will be constructed on two (2) Beecher Terrace blocks bordered on the west by 12<sup>th</sup> Street, bordered on the east by 10<sup>th</sup> Street, bordered on the south by Muhammad Ali Boulevard, and bordered on the north by Fisk Court. The Beecher Phase V project will consist of 80 units situated in 9 separate building structures. The Beecher Phase V units will consist of 20 Market Rate units, 30 Low Income Housing Tax Credit units, 30 Project Based Voucher/Tax Credit units.

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

	<u>Total Budget</u>	<u>Per Unit Approval 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

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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 V Predevelopment Budget is projected to be \$833,485. 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 prior Beecher phase closings. The Beecher Phase V 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 V Predevelopment Budget as presented.
- B. Approve a modified version of the Beecher Russell Phase V Predevelopment Budget.
- C. Do not approve the Beecher Russell Phase V Predevelopment Budget at this time.

#### III. RECOMMENDATION:

Staff recommends Alternative "A"

**RESOLUTION BACKGROUND STATEMENT**

**APPROVAL OF BEECHER PHASE V PREDEVELOPMENT BUDGET**

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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 V 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 \$833,485 will be reimbursed/credited to LMHA from the Phase V Development Budget subsequent to the formal closing of the Beecher Russell Phase V project.

**V. BUDGET APPROVAL:**

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

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Angela Larsson, Director of Finance

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Date

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December 15, 2020