

**HOUSING AUTHORITY OF NEW ORLEANS
BOARD OF COMMISSIONERS
SPECIAL MEETING
NOVEMBER 19, 2019**

RESOLUTION NO. 2019-25

WHEREAS, the Housing Authority of New Orleans (HANO), is a public housing agency as defined in the United States Housing Act 1937, and is responsible for planning, financing, constructing, maintaining and managing public housing developments in New Orleans, Louisiana; and

WHEREAS, HANO and the Iberville Revitalization Company, LLC (IRC), a joint venture between Historic Restoration, Inc. (HRI) and McCormack Baron Salazar, Inc. (MBS), the master developer (Developer) for the Choice Neighborhoods Initiative (CNI), have executed the Iberville/Treme Choice Neighborhoods Initiative Implementation Agreement (Implementation Agreement), which serves as the Master Development Agreement for all components of the CNI Transformation Plan, and which establishes the guiding principles, overarching business terms, and roles and responsibilities of IRC and HANO for the implementation of CNI; and

WHEREAS, the Master Developer seeks to develop City Square 162, a 1.5 acre site adjacent to the former Iberville site and formerly known as the Winn Dixie site, with a mixed-finance project in accordance with 24 CFR 905.604 and will include seventy-six (76) units, including thirty (30) replacement units (Project). Of the thirty replacement units, fifteen (15) units will be public housing (ACC) units and fifteen (15) units will be project-based voucher (PBV) units. All replacement units will also be Low-Income Housing Tax Credit (LIHTC) units. The remaining forty-six (46) are market rate units; and

WHEREAS, the Project was awarded an allocation of 9% Low Income Housing Tax Credits (LIHTCs) in 2017, and MBS formed WD Phase I, LP as the LIHTC ownership entity (Phase Owner). WD Phase I MBS GP, Inc., an MBS-controlled entity, will serve as the general partner (GP) of the WD Phase I, LP. US Bancorp Community Development Corporation will serve as the investor and limited partner of WD Phase I, LP; and

WHEREAS, to facilitate the eligibility of the Project for a payment in lieu of taxes (PILOT) structure, HANO will ground lease the land underlying the Project to WD Phase 1, LP (Ground Lease) and WD Phase 1, LP will then assign the Ground Lease to the Industrial Development Board (IDB), which will then enter into once or more subleases with WD Phase 1, LP; and

WHEREAS, the Developer has requested that HANO provide a construction and permanent loan to the Phase Owner in an amount not to exceed \$6,130,143 which will be comprised of \$4,540,000 in Capital Funds and \$1,590,143 in non-federal funds; and

WHEREAS, \$1.1 million of the HANO non-federal funds will be provided to HANO by the Lafon Conservancy; and

WHEREAS, additional permanent financing for the Project has been obtained through (i) LIHTC equity from US Bancorp Community Development in the amount of \$7,176,782; (ii) a first mortgage loan made by Gershman Investment Corporation in the amount of \$7,207,000; (iii) a third mortgage made by Louisiana Housing Corporation National Housing Trust Fund in the amount of \$800,000; (iv) a fourth mortgage from the City of New Orleans HOME Funds; (v) deferred developer fee in the amount of \$200,000; (vi) general partner equity in the amount of \$100; and

WHEREAS, the Developer reduced the Project budget by \$1,000,000 in developer fee in order to meet HUD's Pro Rata test; and

WHEREAS, to supplement the lost developer fee, HANO will fund the CNI Coordination Services Agreement for services rendered by MBS between 2012 and 2016 in connection with the larger CNI grant; and

WHEREAS, HANO and the United States Department of Housing and Urban Development (HUD) entered into Annual Contributions Contract No. FW-1190, dated December 2, 1996, as amended thereafter (the "ACC Contract"), pursuant to which HANO agreed to develop and operate certain low-rent housing, and HUD agreed to maintain the low rent character of such housing; and

WHEREAS, HANO, with the approval of HUD, desires to provide operating subsidy for up to fifteen (15) public housing units; and

WHEREAS, the HANO Board of Commissioners approved the financial closing of the Project, subject to HUD approval, via Resolution #2019-11; and

WHEREAS, subsequently, HUD did not issue approval and the financing plan had to be revised. Therefore, Resolution #2019-11 must be rescinded and replaced by this resolution;

THEREFORE, BE IT RESOLVED, that the Board of Commissioners of the Housing Authority of New Orleans hereby authorizes the Executive Director as follows:

1. Rescind Resolution #2019-11 for the financial closing of the Project.
2. Execute any and all documents on behalf of HANO necessary to complete the financial closing for City Square 162 mixed-finance redevelopment project.
3. Execute any other documents necessary to provide operating subsidy for up to fifteen (15) public housing units and to obtain any and all necessary the United States Department of Housing and Urban Development (HUD) approvals related thereto.

4. Execute any and all documents to provide WD Phase I, LP loan funds in the amount not to exceed \$6,130,143, from Capital Fund and non-federal sources, including a \$1.1 million contribution from Lafon Conservancy, towards the cost of construction and development of the Project.
5. Execute and all documents to ground lease the land underlying the Project to WD Phase 1, LP and approve any subsequent assignments or subleases of the land underlying the Project to IDB and WD Phase 1, LP to achieve payment in lieu of tax (PILOT) structure for the Project.
6. Execute any and all documents necessary to effectuate the CNI Coordination Services Agreement with MBS in an amount not to exceed \$1,000,000.

Executed this 19th day of November, 2019.

APPROVAL:



CASIUS PEALER
PRESIDENT, BOARD OF COMMISSIONERS



November 19, 2019

MEMORANDUM

To: Board of Commissioners
 President Casius Pealer, Commissioner Toni Hackett Antrum,
 Commissioner Isabel Barrios, Commissioner Sharon Jasper,
 Commissioner Carol Johnson, Commissioner Debra Joseph,
 Commissioner Kim Piper and Commissioner Bill Rouselle

Through Evette Hester
 Executive Director

From: Jennifer Adams
 Director, Development and Modernization

Re: CNI – Winn Dixie Phase I Financial Closing

The Housing Authority of New Orleans (HANO) procured the Iberville Revitalization Company LLC (IRC) to be the Master Developer for the Choice Neighborhoods Initiative (CNI) to redevelop the Iberville site. The overall Iberville redevelopment will include eight hundred twenty-one (821) public housing or project-based voucher replacement housing units on site and in the surrounding neighborhood. The IRC is a joint venture between Historic Restoration, Inc. (HRI) and McCormack Baron Salazar, Inc. (MBS) (collectively, Developer). City Square 162, formerly known as Winn Dixie, sits on 1.5 acres just east of the former Iberville site and will consist of new residential construction and green space that will connect the Laffite Greenway to the City Square 162 site (Project). The Project will include seventy-six (76) units, thirty (30) of which will be replacement units. The bedroom and affordability mix is as follows:

	1 bedroom	2 bedroom	Totals
Public Housing/LIHTC	3	12	15
Project-Based Voucher/LIHTC/HOME/NHTF	4	4	
Project-Based Voucher/LIHTC/HOME	0	7	15
Subtotal Replacement Units	7	23	30
Market Rate	14	32	46
Totals	21	55	76

The Project was awarded an allocation of 9% Low Income Housing Tax Credits (LIHTCs) in 2017, and MBS formed WD Phase I, LP as the LIHTC ownership entity (Phase Owner). WD Phase I MBS GP, Inc., an MBS-controlled entity, will serve as the general partner (GP) of the WD Phase I, LP. US Bancorp Community Development Corporation will serve as the investor and limited partner of WD Phase I, LP.

The HANO Board of Commissioners approved the financial closing of the project in June 2019, subject to HUD approval, via Resolution #2019-11. Subsequently, HUD did not issue approval

and the financing plan had to be revised. Therefore, Resolution #2019-11 must be rescinded and replaced by the following financing plan and board actions.

Currently, the total (Part A) permanent budget is \$23,014,025. The Developer has reduced the requested construction and permanent financing from HANO to \$6,130,143. Repayments on the HANO loan are subject to cash flow availability and a 1% interest rate in second lien position, prior to repayment of the State NHTF and City of New Orleans HOME loans. The sources of the HANO loan now include \$4,540,000 of Capital Funds and \$1,590,143 of non-federal HANO funds.

\$1.1 million of the HANO non-federal funds will be provided to HANO by the Lafon Conservancy. The Lafon Conservancy currently controls funds contributed to it by HANO for cost savings from the construction of Harmony Oaks. The funds were originally earmarked for construction of a park to serve the Harmony Oaks neighborhood, but in the absence of additional funding to complete the plans for the park, the Lafon Conservancy will provide funds to the Project.

Below is a comparison of permanent financing sources in comparison between the June 2019 financial plan and the November 2019 financial plan:

SOURCE	JUNE 2019	NOV 2019	CHANGES
Gershman Investment - First Mortgage	\$5,969,000	\$7,207,000	\$1,238,000
HANO - Second Mortgage	\$8,372,640	\$6,130,143	(\$2,242,497)
Louisiana Housing Corporation National Housing Trust Fund (LHC NHTF) - Third Mortgage	\$800,000	\$800,000	\$0
City of New Orleans HOME Funds - Fourth Mortgage	\$1,500,000	\$1,500,000	\$0
LIHTC Equity	\$7,176,782	\$7,176,782	\$0
Deferred Developer Fee	\$0	\$200,000	\$200,000
General Partner Equity	\$100	\$100	\$0
	\$23,818,522	\$23,014,025	(\$804,497)

To facilitate a payment in lieu of taxes (PILOT) structure, HANO will ground lease the land underlying the Project to WD Phase 1, LP (Ground Lease) and WD Phase 1, LP will then assign the Ground Lease to the Industrial Development Board (IDB), which will then enter into once or more subleases with WD Phase 1, LP. WD Phase 1, LP will pay HANO a ground lease rental payment in the amount of \$10,000 per year, subject to available cash flow behind Gershman Investment Corporation, the senior lender.

The financial closing is scheduled to occur in December 2019.

The Developer has reduced the budget by \$1,000,000 in developer fee in order to meet HUD's Pro Rata test. The Pro Rata test requires that the contribution of HUD Capital Funds must be in proportion to the public housing units being developed. To augment the lost developer fee, HANO will fund the CNI Coordination Services Agreement for services rendered by MBS between 2012 and 2016 in connection with the larger CNI grant.

The Director of Finance has certified that the funds are available to complete the Project from Capital Funds and non-federal funds.

It is requested that the Board of Commissioners authorize the Executive Director to perform the following actions necessary to complete the financial closing for the City Square 162 mixed-finance redevelopment project:

1. Rescind Resolution #2019-11 for the financial closing of the Project.
2. Execute any and all documents on behalf of HANO necessary to complete the financial closing for City Square 162 mixed-finance redevelopment project.
3. Execute any other documents necessary to provide operating subsidy for up to fifteen (15) public housing units and to obtain any and all necessary the United States Department of Housing and Urban Development (HUD) approvals related thereto.
4. Execute any and all documents to provide WD Phase I, LP loan funds in the amount not to exceed \$6,130,143, from Capital Fund and non-federal sources, including a \$1.1 million contribution from Lafon Conservancy, towards the cost of construction and development of the Project.
5. Execute any and all documents to ground lease the underlying land to WD Phase I, LP, and approve any subsequent assignments or subleases of the land underlying the Project to IDB and WD Phase 1, LP to achieve a payment in lieu of taxes structure for the Project.
6. Execute any and all documents necessary to effectuate the CNI Coordination Services Agreement with MBS in an amount not to exceed \$1,000,000.