

**HOUSING AUTHORITY OF NEW ORLEANS
BOARD OF COMMISSIONERS
REGULAR MEETING
MAY 24, 2022**

RESOLUTION NO. 2022-10

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, in October 2003, LGD Rental I, LLC ("Owner") in partnership with HANO closed on the first phase of the redevelopment of the St. Thomas Housing Project that resulted in the River Garden mixed-income mixed-use community. The first phase of the River Garden development known as River Garden Apartments I ("Property") included the mixed-finance development of 296 residential units, 122 of which were for public housing residents and received public housing operating subsidy from HANO;

WHEREAS, HANO is the owner of the land and transferred the site to the Owner through a long-term ground lease that was prepaid at closing;

WHEREAS, HANO was the recipient of a HOPE VI grant award which was used to fund a subordinate loan to the Owner in the principal amount of \$14,970,000. HANO also provided a Tax Increment Funding subordinate loan to the Owner in the principal amount of \$12,490,000;

WHEREAS, in August 2020, New LGD Rental I, LLC ("New Owner") applied for 9% low-income housing tax credits to fund an acquisition/rehab of the Property, that was awarded in March 2021;

WHEREAS, HRI New LGD Rental I, LLC will be the managing member of the New Owner. An affiliate of First Horizon Community Investment Group ("FHCIG") will be the investor member of New Owner. HANO will continue to serve as the ground lessor, subordinate lender and provider of public housing operating subsidy. HRI Communities, LLC, an affiliate of Historic Restoration, Incorporated ("HRI") will be the developer;

WHEREAS, the refinancing/renovation of the Property will not modify the public housing operating subsidy structure for the 122 public housing units, but will increase the affordability mix with an additional 26 affordable units, 12 of which will receive permanent supportive housing subsidy from the Louisiana Housing Corporation ("LHC");

WHEREAS, the Property has 111 row house buildings, with non-dwelling space consisting of a leasing office (2,540 SF). The Property also offers off-street parking for all residents. The Property will be a mixed-finance development in accordance with 24 CFR § 905.604 and will include the unit mix is as follows: (i) 122 low-income housing tax credit/public housing units that receive operating subsidies under Section 9 of the Act; 12 low-income housing tax credit/permanent supportive housing units that will receive the benefit of Project Based Vouchers issued by the State of Louisiana; 14 low-income housing tax credit only units

serving households earning below 60% of the Area Median Income; and 148 unrestricted market rate units; and

WHEREAS, HRI has requested that HANO provide a second mortgage construction and permanent loan to New Owner in an amount not to exceed \$27,460,000, which amount represents the balance of the subordinate loans to Owner; and

WHEREAS, additional permanent financing for the Property has been obtained through (i) low-income housing tax credit equity from an affiliate of First Horizon Community Investment Group in the amount of \$9,699,030; and (ii) a first mortgage loan made by Berkadia Commercial Mortgage, LLC in the amount of \$18,900,000; and

WHEREAS, at financial closing, HANO will receive a cash payment in the amount of approximately \$812,000 for interests accrued on its subordinate loans; and

WHEREAS, HANO will also receive a portion of the developer fee for the Property in the of \$400,000; and

WHEREAS, the Owner has received approval from the New Orleans Industrial Development Board to keep its Payment in Lieu of Taxes (PILOT) agreement for the existing term, which is set to end in October 2038. The PILOT amount is fixed at \$17,522 per year; 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, 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 122 public housing units at the Property; and

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

1. Execute any and all documents on behalf of HANO necessary to complete the financial closing for the Property
2. Execute any and all documents necessary to provide operating subsidy for up to 122 public housing units and to obtain any and all necessary HUD related thereto.

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3. Execute any and all documents to loan New Owner funds in an amount not to exceed \$\$27,460,000, which amount represents the balance of the subordinate loans to Owner; towards the cost of construction and development of the Property.
4. Execute any and all documents to ground lease the land underlying the Property to New Owner.

Executed this 24th day of May, 2022

APPROVAL:



CAROL JOHNSON
PRESIDENT, BOARD OF COMMISSIONERS




May 24, 2022

MEMORANDUM

To: Board of Commissioners
President Carol Johnson, Commissioner Isabel Barrios, Commissioner Avery Foret, Commissioner Sharon Jasper, Commissioner Percy Manson, Commissioner Monika McKay, Commissioner Kim Piper, Commissioner Paul Richard and Commissioner Jeffrey Vappie

Through: Evette Hester
Executive Director

From: Gionne Jourdan 
Director, Development and Modernization

Re: Approval to Execute River Garden Apartments Refinance Financial Closing

In October 2003, LGD Rental I, LLC ("Owner") in partnership with the Housing Authority of New Orleans ("HANO") closed on the first phase of the redevelopment of the St. Thomas Housing Project that resulted in the River Garden mixed-income mixed-use community. The first phase of the River Garden development known as River Garden Apartments I ("Property") included the mixed-finance development of 296 residential units, 122 of which were for public housing residents and received public housing operating subsidy from HANO.

HANO is the owner of the land and transferred the site to the Owner through a long-term ground lease that was prepaid at closing. Additionally, HANO was the recipient of a HOPE VI grant award which was used to fund a subordinate loan to the Owner in the principal amount of \$14,970,000. HANO also provided a Tax Increment Funding subordinate loan to the Owner in the principal amount of \$12,490,000.

In August 2020, New LGD Rental I, LLC ("New Owner") applied for 9% low-income housing tax credits to fund an acquisition/rehabilitation of the Property which were ultimately awarded in March 2021. New LGD Rental I, LLC will be the managing member of the New Owner. An affiliate of First Horizon Community Investment Group will be the investor member of the New Owner. HANO will continue to serve as the ground lessor, subordinate lender and provider of public housing operating subsidy. HRI Communities, LLC, an affiliate of Historic Restoration, Incorporated ("HRI") will be the developer. HRI was the original developer/sponsor, so the controlling entity in this new transaction remains unchanged.

The Property has consistently maintained occupancy levels above 95%, and remains in good condition. The refinancing will not modify the public housing operating subsidy structure for the

122 public housing units, but will increase the affordability mix with an additional 26 affordable units, 12 of which will receive permanent supportive housing subsidy from the Louisiana Housing Corporation ("LHC").

The proposed rehabilitation plan for the Property includes exterior façade upgrades, roofing repairs/replacements, window/envelope repairs, and various site work and landscaping improvements. The exterior upgrades have been prioritized in the development plan given that interior upgrades have been routinely performed as units are vacated and rented to new tenants, however interior renovations for units that will become vacant during the renovation period will also be completed as part of the rehabilitation plan. The proposed energy ratings will meet local code and all systems being replaced will adhere to LHC's Energy Efficiency requirements. All units will be equipped with wiring for telephone, internet and cable networks. Wireless network access will also remain available. Fifteen (15) units will be fully accessible and designed as both mobility-impaired and 6 units will be designed as hearing/visually-impaired units. The Property does not have a tenant preference.

The Property has 111 row house buildings, with the non-dwelling space consisting of a leasing office (2,540 SF). The Property also offers off-street parking for all residents. The Property will be a mixed-finance development in accordance with 24 CFR § 905.604 and will include a unit mix as follows:

- 122 low-income housing tax credit/public housing units that receive operating subsidies under Section 9 of the Act;
- 12 low-income housing tax credit/permanent supportive housing units that will receive the benefit of Project Based Vouchers issued by the State of Louisiana;
- 14 low-income housing tax credit only units serving households earning below 60% of the Area Median Income;
- 148 unrestricted market rate units.

The total (Part A) permanent budget is \$56,059,030. There are no new public housing funds included in the budget, however HANO will loan its subordinate debt balance to the New Owner in the approximate amount of \$27,460,000. The interest rate will be 1%, payable from cash flow.

The total sources of permanent financing are:

Berkadia Commercial Mortgage, LLC - First Mortgage	\$18,900,000
HANO Loan - Second Mortgage	\$27,460,600
LIHTC Equity	\$9,699,030

At financial closing, HANO will receive a cash payment in the amount of approximately \$812,000 for interests accrued on its subordinate loans. HANO will also receive a portion of the developer fee for the Property in the amount of \$400,000.

The Owner has received approval from the New Orleans Industrial Development Board to keep its Payment in Lieu of Taxes (PILOT) agreement for the existing term, which is set to end in October 2038. The PILOT amount is fixed at \$17,522 per year.

The financial closing is scheduled to occur in June 2022.

CERTIFICATIONS

Finance

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 Property:

1. Execute any and all documents on behalf of HANO necessary to complete the financial closing for the Property.
2. Execute any and all documents necessary to provide operating subsidy for the 122 public housing units and to obtain any and all necessary the United States Department of Housing and Urban Development approvals related thereto.
3. Execute any and all documents with the New Owner for financing towards the cost of construction and development of the Property.
4. Execute any and all documents to ground lease the land underlying the Property to the New Owner.