

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

**APPROVAL OF PARK DUVALLE IV LIMITED PARTNERSHIP TRANSITION  
TO LOUISVILLE METRO HOUSING AUTHORITY**

Item No. 5e

WHEREAS, the Park DuValle IV Limited Partnership (Partnership) completed its initial 15-year Low Income Housing Tax Credit (LIHTC) Compliance Period on December 31, 2017 and is within its third year of the LIHTC Extended Use Period; and

WHEREAS, the Louisville Metro Housing Authority Development Corporation (LMHADC) desires to acquire .01% of the total Partnership's interest from the Partnership's General Partner (Park DuValle GP, LLC), with Louisville Metro Housing Authority acquiring the remaining 99.99% from the Investment Limited Partner (TCB New Hope Fund V, LLC) and the Special Limited Partner (SLP, Inc.) upon satisfaction removing itself; and

WHEREAS, the transition of the Partnership's interest to LMHA and LMHADC will require LMHA funds go towards the payment of Fifth Third Bank's Promissory Note in the amount not to exceed \$1,382,392; and

WHEREAS, the transition of the Partnership's interest to LMHA and LMHADC will also require the Partnership to pay accrued expenses and fees owed to LMHA, the Partnership's General, Investor Limited, and Special Limited Partners in an amount not to exceed \$182,175. Source of funds for the fees noted will be paid from Partnership funds; and

WHEREAS, the proposed Park DuValle IV transfer has been reviewed and approved by the Board's Audit Finance Committee; and

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WHEREAS, all required approvals for the transition of the Partnership's interest from the Kentucky Housing Corporation and the Department of Housing and Urban Development will be obtained prior to the closing date in order to satisfy a condition to close.

NOW, THEREFORE, BE IT RESOLVED BY THE LOUISVILLE METRO HOUSING AUTHORITY BOARD OF COMMISSIONERS that the transition of the Park DuValle IV Limited Partnership interest to the Louisville Metro Housing Authority is approved.

BE IT FURTHER RESOLVED that, as required within the transition process, the use of LMHA funds to pay-off Fifth Third Bank's Promissory Note in the amount not to exceed \$1,382,392 and the Partnership's payment of accrued fees and expenses owed to LMHA and the Partnership's General, Investor Limited, and Special Limited Partners in an amount not to exceed \$182,175 are also approved.

BE IT FURTHER RESOLVED, that, the Executive Director of LMHA is hereby authorized, empowered and directed to take any and all such related or ancillary actions necessary and appropriate to achieve the foregoing purposes including refinements to the terms and documents set forth in this resolution as may be reasonably determined by the Executive Director.

**RESOLUTION BACKGROUND STATEMENT**  
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**Item No. 5e**

**I. STATEMENT OF FACTS:**

The Park DuValle IV Limited Partnership completed its initial 15-year tax credit compliance period requirements on December 31, 2017. Currently, Park DuValle IV is within its third year of the tax credit extended use period which ends December 31<sup>st</sup>, 2032. The general structure of the asset must remain in order to be within compliance of IRC §42 Low-Income Housing Credit Program, the land use restriction requirements as administered by the Kentucky Housing Corporation, and the Regulatory and Operating Agreement. As such, 134 of the 192 units are to be maintained as public housing/tax credit units through the extended use period. Although there are other approaches to acquiring assets, in this context the best method for acquiring Park DuValle IV's assets is the transfer of partner interests. It provides the simplest, least prohibitive, and most cost-effective method concerning this type of transaction. In order to facilitate this transition and preserve Park DuValle IV's transactional structure which is necessary for the initial transfer of assets, it is the intent and desire of the Louisville Metro Housing Authority Development Corporation to acquire the .01% Partnership interest from the General Partner (Park DuValle GP, LLC which is an affiliate of The Community Builders) in conjunction with LMHA's acquisition of the remaining 99.99% Partnership interests on or before March 31, 2021.

Park DuValle IV was constructed in 2001 with a portion of the development costs funded with a First Mortgage loan. The loan was provided by Fifth Third Bank in the amount of \$1,714,670 with a maturity date of December 10, 2021. As required within the transition process, the use of LMHA MTW Section 8 funds will be used to retire the remaining debt on the First Mortgage loan. The pay-off balance of the First Mortgage Promissory Note shall be an amount not to exceed \$1,382,392. Upon satisfaction of the \$182,175 of accrued expenses and fees, the Partnership will have funding reserves in excess of \$265,679 which will remain with the Partnership after the transition.

As a result of discussions with the General Partner and the Investor Limited Partner, the following costs are anticipated to be associated with the Partnership's interest transition to LMHA and LMHADC. The amounts listed below also includes the transition costs funding source:

|                |   |
|----------------|---|
| \$1,382,392.00 | Fifth Third Promissory Note Pay Off (LMHA MTW Section 8 Reserves) |
| 98,037.00      | LMHA Asset Management Fees (PDV IV Partnership)                   |
| 64,138.00      | ILP Asset Management Fees (PDV IV Partnership)                    |

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**Item No. 5e**

**I. STATEMENT OF FACTS (cont'd):**

10,000.00 GP Priority Distribution (PDV IV Partnership)  
10,000.00 SLP Priority Distribution (PDV IV Partnership)

\$1,564,567.00 Projected Total Transition Costs  
\$ 8,149.00 Per Unit Transition Cost

The Park DuValle IV transfer has been reviewed and approved by the Board's Audit Finance Committee. Furthermore, Reno & Cavanaugh law firm, located in Washington, DC, is assisting LMHA with the formal transition process and navigating any required HUD approvals.

**II. ALTERNATIVES:**

- A. Complete the Park DuValle IV Limited Partnership interest transition to LMHA within the terms and conditions noted above.
- B. Do not transition the Park DuValle IV Limited Partnership interest to LMHA which would result in the Partnership interest being sold publicly to retire the project's debt.

**III. RECOMMENDATION:**

Staff recommends Alternative "A"

**IV. JUSTIFICATION FOR THIS RECOMMENDATION:**

- The transition of the Park DuValle IV's general partner's interest to LMHADC and the limited partner's interest to LMHA is consistent with the transition process that was initiated for the 100-unit Park DuValle I (Oaks) project in 2012, and the 213-unit Park DuValle II property in 2016, and 108-units Park Duvalle III in 2018.
- It is LMHA's intent to use MTW Section 8 Reserves to retire the Fifth Third Promissory Note which is consistent with LMHA's MTW Agreement and funding flexibility. The average cost per unit within the transition of \$8,149 is significantly less than the acquisition cost of any other similar off-site unit acquisitions.
- The ultimate successful transition of all four (4) Park DuValle Limited Partnership interests to LMHA and LMHADC will add a total of 613 units to the LMHA's housing unit portfolio.

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Item No. 5e

**IV. JUSTIFICATION FOR THIS RECOMMENDATION (cont'd):**

- The process for the Park DuValle IV Limited Partnership interest transition to LMHA will be overseen by Reno & Cavanaugh law firm.

**V. BUDGET APPROVAL:**

Funding for this project will be provided within the Authority's Section 8 Program funds and the Park DuValle IV Limited Partnership reserves.

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Angela Larsson, Director of Finance

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Date

Prepared By: Jeff Ralph  
Director of Strategic Initiatives  
October 20, 2020