

RESOLUTION NO. _____

**APPROVAL OF CH6, LTD TRANSITION OF INVESTMENT LIMITED PARTNERS'
INTEREST TO LOUISVILLE METRO HOUSING AUTHORITY**

Item No. 5d

WHEREAS, the CH6, LTD (Partnership) will complete its initial 15-year Low Income Housing Tax Credit (LIHTC) Compliance Period on December 31, 2021 and will then begin its 15-year LIHTC Extended Use Period; and

WHEREAS, the Louisville Metro Housing Authority Development Corporation (LMHADDC) currently owns .1% of the total Partnership's interest as the Administrative General Partner, with Louisville Metro Housing Authority (LMHA) acquiring the remaining 99.9% from the Investment Limited Partners (Ohio Equity Fund for Housing Limited Partnership XIV (OEF), OEF 5/3 Fund I, LLC, and National City Community Development 909, LLC (National City); and

WHEREAS, the transition of the Limited Partners' interest to LMHA will require LMHA funds go towards the purchase price payment to National City (\$5,000) and OEF (\$2,000) in a total amount not to exceed \$7,000; and

WHEREAS, the transition of the Limited Partners' interest to LMHA will also require the Partnership to pay disposition fees owed to OEF in an amount not to exceed \$15,046. Source of funds for the fees will be paid from Partnership funds; and

WHEREAS, the proposed CH6, LTD Limited Partners' transfer is in conformity with LMHA's goal to acquire all Mixed-Finance transactions sponsored and/or developed by LMHA where a Right of First Refusal or Option to purchase exists; and

WHEREAS, the required approval for the transition of the Limited Partners' interest from the Kentucky Housing Corporation will be obtained prior to the closing date in order to satisfy a condition to close.

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NOW, THEREFORE, BE IT RESOLVED BY THE LOUISVILLE METRO HOUSING AUTHORITY BOARD OF COMMISSIONERS that the transition of the CH6, LTD Limited Partners' interest to the Louisville Metro Housing Authority is approved. Also, that as required within the transition process, the use of LMHA funds to pay fees in the amount not to exceed \$7,000 and the Partnership's payment of accrued fees and expenses owed to OEF in an amount not to exceed \$15,046 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
APPROVAL OF CH6, LTD TRANSITION OF INVESTMENT LIMITED PARTNERS'
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I. STATEMENT OF FACTS:

The CH6, LTD will complete its initial 15-year tax credit compliance period requirements on December 31, 2021 and will begin its 15-year extended use period, which ends December 31st, 2036. The general structure of the asset must remain in order to be within compliance with 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, all 68 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 CH6'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 CH6's transactional structure, which is necessary for the initial transfer of assets, it is the intent and desire of the Louisville Metro Housing Authority that LMHADC remain as General Partner in conjunction with LMHA's acquisition of the remaining 99.9% Partnership interests on or before January 1, 2022.

CH6 was constructed in 2006 and consisted of 69 (now 68) detached single-family homes. All units were designated as public housing/LIHTC with a portion of the development costs funded with a \$5,188,698 Capital Fund contribution from LMHA and a \$6,381,120 equity contribution from the Investment Limited Partner, bringing total costs to \$11,569,818. LMHA currently holds a Note Receivable of \$1,645,558 (\$800,000 principal plus \$845,558 accrued interest) that will stay with the Partnership until LMHA gains control, at which time the Note will be written-off. Upon satisfaction of the \$15,046 of accrued expenses and fees, the Partnership will have funding reserves in excess of \$586,743, which will remain with the Partnership after the transition. The unit count decreased from the original 69 to 68 due to the sale of one unit to MSD for flood control.

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

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I. STATEMENT OF FACTS (cont'd):

\$ 5,000.00	National City Community Development 909, LLC (LMHA)
2,000.00	Ohio Equity Fund for Housing LP XIV and OEF 5/3 Fund I, LLC (LMHA)
<u>15,046.00</u>	Ohio Equity Fund for Housing LP XIV and OEF 5/3 Fund I, LLC (CH6)
\$22,046.00	Projected Total Transition Costs
\$ 324.00	Per Unit Transition Cost

The CH6 transfer is in conformity with LMHA's goal to acquire all Mixed-Finance transactions sponsored and/or developed by LMHA where a Right of First Refusal or Option to purchase exists. 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 CH6, LTD Limited Partnership interest transition to LMHA within the terms and conditions noted above.
- B. Do not transition the CH6, LTD 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 CH6, LTD 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-unit Park DuValle III in 2018 and the 192-unit Park DuValle IV in 2020.
- It is LMHA's intent to use MTW Section 8 Reserves to fund the purchase price and to use CH6 operating funds to fund the disposition fees. The

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

average cost per unit within the transition of \$324 is significantly less than the acquisition cost of any other similar off-site unit acquisitions.

- The ultimate successful transition of CH6, LTD Limited Partners' interest to LMHA will add a total of 68 units to the LMHA's housing unit portfolio.
- The process for the CH6, LTD Limited Partners' 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 CH6, LTD reserves.

Angela Larsson, Director of Finance

Date

Submitted By: Jeff Ralph
Director of Strategic Initiatives
December 21, 2021