

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

**APPROVAL OF BEECHER PHASE IV DEVELOPMENT PROPOSAL**

**Item No. 5A**

WHEREAS; the Louisville Metro Housing Authority (LMHA) received from the Department of Housing and Development (HUD) in 2016 a Beecher-Russell Choice Neighborhood Implementation (CNI) Grant in the amount of \$29,575,000; and

WHEREAS; LMHA also received from HUD in 2019 a Beecher-Russell Choice Neighborhood Implementation Supplemental Grant in the amount of an additional \$4,000,000; and

WHEREAS; as a result of a formal procurement process in 2016, LMHA procured McCormack Baron Salazar (MBS) as the Master Developer for the on-site Beecher-Russell CNI development; and

WHEREAS; MBS has now completed the development of the Beecher Phases I, II, and III and has subsequently prepared a Development Proposal for the fourth, and final, on-site rental development phase; and

WHEREAS; the Beecher Phase IV Development Proposal provides for the award of a construction contract to J G Johnson Construction Company in an amount totaling \$53,516,788; and

WHEREAS; the proposed construction contract with J G Johnson satisfies all the required LMHA-MBE/WBE/DBE and Section 3 participation goal requirements in aggregate; and

WHEREAS; LMHA funds have been budgeted to satisfactorily complete the Beecher Phase IV Development in the amount of \$30,422,821.

NOW, THEREFORE BE IT RESOLVED BY THE LOUISVILLE METRO HOUSING AUTHORITY BOARD OF COMMISSIONERS that the proposed Beecher IV Development Proposal is approved to include LMHA's funding commitment in the amount of \$30,422,821.

BE IT FURTHER RESOLVED , that Lisa Osanka, Executive Director and Contracting Officer is authorized to sign all Beecher Phase IV closing and Evidentiary Documents.

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**I. STATEMENT OF FACTS:**

McCormack Baron Salazar (MBS) has now completed the development of Beecher on-site Phases I, II, and III of the Beecher-Russell Choice Neighborhood Implementation Grant. MBS has also prepared the proposed Development Proposal for the fourth, and final, on-site rental Development phase. The Beecher Phase IV Development Proposal (Proposal) provides for the construction of 210 units of housing (70 Project Based Voucher (PBV)/Tax Credit, 2 PBV-Non-Low Income Housing Tax Credit (LIHTC), 21 Rental Assistance Development (RAD) units, 97 Tax Credit only, and 20 Unrestricted units) to be located between 10th & 13th Streets (East to West) and Muhammad Ali and Fisk Court (South to North).

MBS conducted an Invitation for Bids (IFB) in July 2022 for the Beecher Phase IV General Contractor selection. Inasmuch as no proposals were received to the IFB solicitation, MBS then began contractor negotiations to obtain a satisfactory contractor with sufficient construction capacity and also within a financially justifiable cost for the construction. In that regard, MBS was able to satisfactorily complete negotiations with J G Johnson Construction Company with headquarters located in Cleveland, OH. MBS has prior favorable construction experience with J G Johnson on other large development projects. J G Johnson's construction contract will also provide for the satisfactory accomplishment of all LMHA-MBE/WBE/DBE and Section 3 Participation goals.

The Beecher Phase IV construction is anticipated to begin in April-May 2023 with the implementation of the required Public Improvements-Infrastructure activities. In the event the Public Improvements-Infrastructure activities are commenced in advance of the official HUD closing date, LMHA will enter into an Additional Services Agreement with MBS, similar to the prior Beecher Phases I, II, & III Additional Services Agreements. The Public Improvements-Infrastructure activities will be funded 100% with Louisville Metro Community Development Block Grant funds.

LMHA contracted with a construction consultant from prior Beecher development phases (Richard Banta) to review the Beecher Phase IV Plans and Specifications documents for a determination of cost reasonableness for the J G Johnson construction quote. Mr. Banta was referred to LMHA by Louisville Metro's Louisville Forward Staff.

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

MBS will earn a “paid” Developer Fee of \$6,917,500, which is 9% of the Beecher IV eligible costs for Developer Fee determination. The 9% Developer Fee will be paid from the Beecher IV Partnership’s LIHTC equity funds. No LMHA funds will be used to pay the MBS 9% Developer fee.

The proposed Beecher IV Development Proposal provides for a total cost of \$80,171,921 to be funded as follows:

LMHA FUNDS:	Choice Original Grant Balance	\$ 2,719,500
	Choice Supplemental Grant	4,000,000
	MTW Section 8 Reserves-Prior approvals	11,041,054
	Capital Fund Program-Additional Funds	533,497
	Barrett Ave Sales Proceeds	1,665,000
	Section 5h Reserves	4,000,000
	Program Income	2,452,804
	Beecher III Cost Savings Recontributed	1,064,966
	Beecher IV-Recontributed Developer Fee	2,946,000
	<b>TOTAL LMHA FUNDS</b>	<b>\$ 30,422,821</b>
	Low Income Housing Tax Credit Equity-Ohio Capital	\$ 30,048,100
	First Mortgage Loan (Lument Securities)	12,180,000
	MBS and LMHA Deferred Developer Fees	1,396,000
	Community Development Block Grant Funds	3,125,000
	Lou Metro-KHC HOME Funds	3,000,000
	<b>TOTAL BEECHER PHASE IV SOURCES</b>	<b>\$ 80,171,921</b>

LMHA’s Phase IV Development Budget funds will be loaned to the Beecher IV Partnership secured by a note and a recorded mortgage.

II. **ALTERNATIVES:**

- A. Approve the Beecher Phase IV Development Proposal as submitted.
- B. Approve the Beecher Phase IV Development Proposal with modifications.

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**II. ALTERNATIVES (cont'd):**

C. Do not approve the Beecher Phase IV Development Proposal.

**III. RECOMMENDATION:**

Staff Recommends Alternative "A."

**IV. JUSTIFICATION FOR THIS RECOMMENDATION:**

- The proposed Beecher IV Development Proposal provides for sufficient financial resources to complete the fourth, and final, on-site rental development phase.
- The project Developer, McCormack Baron Salazar, has secured the necessary Low Income Housing Tax Credit equity and First Mortgage lending commitments to provide the necessary third-party funding requirements for the Development phase.
- The Beecher Phase IV General Construction Contractor, J G Johnson, possesses the required construction experience and bonding capacity to satisfactorily perform the Beecher Phase IV construction activities.
- The J G Johnson construction contract will satisfy all the LMHA MBE/WBE/DBE and Section 3 Participation Goals requirements.

Prepared By: Wavid C. Wray  
Deputy Executive Director-Financial Services  
May 16, 2023