

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

**AUTHORIZATION TO WRITE-OFF NOTES RECEIVABLE DUE FROM  
CH6 LTD PARTNERSHIP**

**Item No. 5A**

WHEREAS, Louisville Metro Housing Authority (LMHA) made a loan to CH6, LTD Limited Partnership to develop 69 units of rental housing in a mixed finance development; and

WHEREAS, those units reached the end of their initial 15-year tax-credit compliance period in November 2020 and LMHA acquired controlling interest in CH6, LTD on January 1, 2022; and

WHEREAS, the financial statements for LMHA and CH6 LTD are both part of LMHA's consolidated financial statements; and

WHEREAS, the note in question has, in essence, become debt both due to and due from LMHA.

NOW, THEREFORE, BE IT RESOLVED BY THE LOUISVILLE METRO HOUSING AUTHORITY BOARD OF COMMISSIONERS that LMHA finance staff is authorized to write off \$1,682,455.47 in notes receivable due from CH6 LTD Limited Partnership.

## RESOLUTION BACKGROUND STATEMENT

### AUTHORIZATION TO WRITE-OFF NOTES RECEIVABLE DUE FROM CH6 LTD PARTNERSHIP

#### Item No. 5A

#### I. STATEMENT OF FACTS:

LMHA made a loan to CH6 to aid in the development of 69 rental housing units all of which were public housing/tax-credit units. The current unit count is now 68 units because one unit was sold to Metropolitan Sewer District to improve flood control in that area.

CH6 reached the end of its 15-year tax-credit compliance period in November 2020, and LMHA obtained controlling interest in CH6 on January 1, 2022. Since CH6's financial statements are part of LMHA's consolidated financial statements, the debt is, in essence, one LMHA owes to itself. To clean up this intracompany receivable/payable, LMHA finance staff would like to write off the notes receivable balance of \$1,682,455.47 due from CH6 to LMHA.

This Board Resolution follows the same accounting treatment of LMHA's Notes Receivable for previous phases including Chauncey, Park Duvalle II, Park Duvalle III and Park Duvalle IV.

The finance staff has reviewed this transaction with its independent financial auditor. The financial auditors concur with this recommendation.

#### II. ALTERNATIVES:

- A. Write off \$1,682,455.47 in notes receivable due from CH6 LTD to LMHA
- B. Do not write off the notes receivable due from CH6 LTD to LMHA. It will remain on CH6's balance sheet and LMHA's balance sheet but will have to be eliminated on the consolidated financial statements.

#### III. RECOMMENDATION:

Staff recommends Alternative "A."

## RESOLUTION BACKGROUND STATEMENT

### AUTHORIZATION TO WRITE-OFF NOTES RECEIVABLE DUE FROM CH6 LTD PARTNERSHIP

Item No. 5A

#### IV. JUSTIFICATION:

- The notes described above are actually amounts that LMHA owes itself. Consequently, there is no need to carry the notes receivable in LMHA's books, and the notes payable on CH6's books.
- Currently, both the notes receivable and the notes payable will be "eliminated" from LMHA's consolidated financial statements. Therefore, there will be no change to LMHA's consolidated financial statements as a result of this write-off.
- LMHA financial auditors agree that recording this transaction is reasonable and will help clean up intracompany accounts.

Submitted by: D. Aaron Dean  
Asset Manager  
May 21, 2024