



# **Board of Directors**

## **Agenda Item #3**

**Resolution approving changes to River South**

**September 14, 2016**

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## LOUISIANA HOUSING CORPORATION

The following resolution was offered by Director \_\_\_\_\_ and seconded by Director \_\_\_\_\_:

### **RESOLUTION**

**A resolution approving a change in the number of buildings and approving a request to waive the 2014 QAP provision regarding determining total development costs (1667 Highland Road, Baton Rouge, East Baton Rouge Parish, Louisiana); authorizing the Corporation staff and counsel to prepare the forms of such documents and agreements as may be necessary; and providing for other matters in connection therewith.**

**WHEREAS**, the Louisiana Housing Corporation (the "Corporation") has been ordered and directed to act on behalf of the State of Louisiana (the "State") in allocating and administering programs and/or resources made available pursuant to the Section 42 of the Internal Revenue Code (the LIHTC Program);

**WHEREAS**, the taxpayer for River South (a scattered site project located at 1667 Highland Road and other addresses, Baton Rouge, Louisiana) has submitted a request to approve a reduction in the number of buildings to the project from thirty-one (31) buildings to seventeen (17) buildings to make room for a proposed interstate ramp;

**WHEREAS**, the taxpayer submitted a request to waive a provision in the 2014 Qualified Allocation Plan (QAP) which states "The costs of a development funded by a governmental grants or with the proceeds from syndicating historic credits will be included in the total development costs for the purposes of establishing the maximum average total development costs (TDC) per unit and for the purpose of calculating maximum qualified basis of a building or Project";

**WHEREAS**, the aforementioned provision has been changed in subsequent QAPs to not include governmental grants for the purpose of determining TDC per Unit; and

**WHEREAS**, the staff of the Corporation has processed the request for River South in accordance with the Qualified Allocation Plan and has found that the project remains feasible and viable with the proposed changes:

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the Louisiana

Housing Corporation, that:

**SECTION 1.** The requests of River South (the "Project") to the number of buildings in the project to seventeen (17) and the request to waive the QAP provision for determining TDC are hereby approved .

**SECTION 2.** The staff and counsel are authorized and directed to prepare the forms of such documents and agreements as may be necessary to implement the Board's action.

**SECTION 3.** The Chairman and Interim Executive Director of the Corporation be and they are hereby authorized, empowered and directed to execute any forms and/or documents required to be executed on behalf of and in the name of the Corporation, the terms of which are to be consistent with the provisions of this resolution as approved by counsel and LIHTC Program Counsel.

This resolution having been submitted to a vote, the vote thereon was as follows:

**YEAS:**

**NAYS:**

**ABSTAIN:**

**ABSENT:**

And the resolution was declared adopted on this, the 14<sup>th</sup> day of September 2016.

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Chairman

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Secretary

**STATE OF LOUISIANA**

**PARISH OF EAST BATON ROUGE**

I, the undersigned Secretary of the Board of Directors of the Louisiana Housing Corporation (the "Corporation"), do hereby certify that the foregoing two (2) pages constitute a true and correct copy of a resolution adopted by said Board of Directors on September 14, 2016, entitled, "A resolution approving a change in the number of buildings and approving a request to waive the 2014 QAP provision regarding determining total development costs (1667 Highland Road, Baton Rouge, East Baton Rouge Parish, Louisiana); authorizing the Corporation staff and counsel to prepare the forms of such documents and agreements as may be necessary; and providing for other matters in connection therewith".

**IN FAITH WHEREOF**, witness my official signature and the impress of the official seal of the Corporation on this, the 14<sup>th</sup> day of September 2016.

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Secretary

(SEAL)



**RIVER SOUTH  
RIVER SOUTH, LLC  
BATON ROUGE, EAST BATON ROUGE PARISH**

**Reason for Requested Reprocessing**

The project was approved for an extension to the project schedule and return of awarded LIHTC for credits from the 2015 credit ceiling in April 2015. The developer is requesting changes to the project due to an anticipated interstate exit ramp and changes to the project costs resulting from design changes and previous title issues. The project is not requesting additional LHC funding.

**Project History and Previous Board Action**

- **December 2013** - LHC Board approved and awarded River South \$647,000 in 9% LIHTCs during the 2014 competitive funding round.
- **Development Team** – Richard Murray, East Baton Rouge Parish Housing Authority; River South LLC; Partners for Progress. Inc.; Hudson Housing Capital, LLC

**Reprocessing Involves the Following Changes**

	Original Reprocessing	Proposed Reprocessing	Increase/(Decrease)
1.) No. of Buildings	31	17	(14)
2.) No. of Units	46	46	0
3.) Unit Size (sq.ft.)	1,085	1,117	32

**Project Specifics**

**New Construction Costs**

<b>Construction Hard Costs</b>	\$6,592,950.00
<b>Soft Costs</b>	\$2,094,888.00
<b>Total Costs</b>	\$8,687,838.00

**Unit Mix**

1 Bedroom Units	0
2 Bedroom Units	14
3 Bedroom Units	28
4 Bedroom Units	4
<b>Total Units</b>	<b>46</b>

<b>Development Costs:</b>	<b>Approved</b>	<b>Reprocessing</b>	<b>Net Change</b>
<b>Total Development Cost</b>	<b>\$8,687,838.00</b>	<b>\$9,587,614.00</b>	<b>\$899,776.00</b>
Total Development Cost (-community facilities)	\$8,487,838.00	\$9,287,614.00	\$799,776.00
Total Units	46	46	0
Total Buildings	31	17	(14)
Total Cost/Unit	\$184,518.22	\$201,904.65	\$17,386.43
Total Square Feet	49,900	54,176	4,276
<b>Total Cost/SF</b>	<b>\$170.10</b>	<b>\$171.43</b>	<b>\$1.33</b>

**Funding Sources:**

Permanent First Mortgage	\$2,056,394.00	\$2,285,000.00	\$228,606.00
Gross Tax Credit Equity	\$5,952,400.00	\$6,437,650.00	\$485,250.00
CDBG Funds	\$233,964.00	\$233,964.00	0
Deferred Developer Fee & loan	\$550,880.00	\$858,969.00	\$308,089.00
Reserves	3-6 (\$105,800.00)	(\$227,969.00)	(\$122,169.00)
<b>Total</b>	<b>\$8,687,838.00</b>	<b>\$9,587,614.00</b>	<b>\$899,776.00</b>



## RIVER SOUTH RIVER SOUTH, LLC BATON ROUGE, EAST BATON ROUGE PARISH

### Estimated Economic Impact\*

*\*Estimated using the National Association of Home Builders (NAHB) economic model*

	During Construction (One-Year Impact)	Post-Construction (Annual Impact)
<b>Local Employment Income</b>	\$3,634,000.00	\$1,104,000.00
<b>Local Employment Taxes</b>	\$380,420.00	\$202,860.00
<b>Local Jobs</b>	56	14
<b>LHC Application/Reprocessing Fees</b>	\$36,8580.00	\$0.00
<b>Compliance Monitoring Fees</b>	\$230.00	\$230.00

### Area Demographic Profile

*Source: GNOCDC analysis of data from U.S. Census 2000 Summary File 3 (SF3) and 2012 American Community Survey; GNOCDC analysis of Local Employment Dynamics, U.S. Census Bureau; and ESRI Demographics 2012, Novogradac & Company LLP, June 2013*

East Baton Rouge Parish	
	2007-2011
<b>Median Household Income</b>	\$48,274.00
<b>People living in poverty</b>	12.4%
<b>People living at or above poverty</b>	87.6%
<b>Workers earning \$1,250/mo or less</b>	5.8%
<b>Workers earning \$1,251 - \$3,333/mo</b>	17.7%

### Occupancy Profile

*Source Citation: U.S. Department of Housing and Urban Development (HUD) AMI Limits as of 12/11/2012*

No. of Units	AMI	Annual Qualifying Income Limit
36	30%	PBRA
10	-	Rent Restricted

### Examples of Occupations in the 50-60% AMI Category

Baggage Porters and Bellhops	Bus Drivers	Hotel Clerks	Paramedics & EMTs
Nursing Aides & Orderlies	Office Clerks	Executive Secretaries	Firefighters
Retail Sales Supervisors	Teacher Assistants	Bank Tellers	Judicial Law Clerks
Tax Preparers	Childcare Workers	Security Guards	Administrative Assistants

### Projected Major Area Employers

Service Sector	Retail Trade
Industrial	Manufacturing

# RIVER SOUTH DEVELOPMENT, LP

August 18, 2016

Ms. Marjorianna Willman, Esq.  
Deputy Administrator  
Louisiana Housing Corporation  
2415 Quail Drive  
Baton Rouge, LA 70808

Re: River South 2014(TC)-005

Dear Ms. Willman,

In accordance with our recent meeting River South Development, LP is submitting a reprocessing for the River South development. Also, enclosed is \$750.00 for the reprocessing fee.

River South, initiated by the East Baton Rouge Parish Housing Authority, is the redevelopment of an area between downtown Baton Rouge and the LSU campus. The goal of the project is to provide much needed housing for the local residents who work downtown and the surrounding areas. The project consists of 2, 3, and 4 bedroom units, with 46 units in total and a community center.

On May 17<sup>th</sup>, 2016, we learned of Louisiana Department of Transportation's plans to route their new I10/Highlands Road off ramp directly through our Oklahoma Street site. Originally, this specific site was planned to accommodate 9 units. The compromise to losing the entire Oklahoma Street site is to redesign and plan a multifamily building. The site was reconfigured to allow proper set backs to accommodate the new off ramp and traffic adjacent to the site.

The newly designed building will accommodate 18-units and will not trigger any zoning issues with the City of Baton Rouge.

Due to lingering title issues, we have chosen not to develop other specific sites that were included in the original plans for River South. The need to further research the controversial titles could negatively impact our project schedule. These units will be relocated to the proposed multifamily building on the Oklahoma Street site.

The redesign will give us the opportunity to create an urbanized, south Louisiana vernacular, consistent with what the City of Baton Rouge and stakeholders would prefer in this area. The new design proves consistent with that of the Water Campus being developed by Baton Rouge Area Foundation and is located adjacent to the River South property. Ultimately the revised scope of work will allow our team to provide an upgraded product to the East Baton Rouge Parish Housing Authority and the City of Baton Rouge.

The new building and removal of lots will have no effect on the original square footages, unit mix or configuration. In the attached enclosures you will find information supporting this statement.

We are confident you will understand the necessity of revising the original submission to ensure an exceptional housing development is delivered to the City of Baton Rouge and the residents of River South.

Sincerely,



Richard Murray  
CEO

Enclosures:

Revised River South Site Location & Unit Configuration  
Revised AMEC  
Redesigned Multifamily Building Renderings  
Proposed LDOT I10/Highland Off Ramp  
Reprocessing Fee  
Predevelopment Funds expended as of 8-15-16

CC:

Mr. Louis Russell



# Housing Authority of East Baton Rouge Parish

4731 North Boulevard • Baton Rouge, LA 70806

PHONE: 225.923.8100 • FAX: 225.923.8109 • TDD: 1.800.545.1833 ext 930 • WEB: [www.ebrpha.org](http://www.ebrpha.org)

September 1, 2016

Mr. Keith Cunningham, Interim Executive Director  
Louisiana Housing Corporation  
2415 Quail Drive  
Baton Rouge, LA 70808

Re: River South, #2014-(TC)-005  
Request for Waiver of TDC Limits

Dear Mr. Cunningham:

River South is an initiative of East Baton Rouge Parish Housing Authority (“EBRPHA”) to construct 46 new units, of which 10 will be market rate originally planned on 31 scattered lots purchased by the Authority as part of a past HOPE VI initiative. This will be a continuation of an aggressive redevelopment strategy to replace EBRPHA’s obsolete housing and rebuild within the fabric of the neighborhood character. As discussed below, we have experienced unforeseen costs related to site title, platting, and development issues, as well as the city’s request that we develop the Oklahoma Street site within the same architectural context as the “Water Campus” of the adjoining property.

These costs have resulted in the project exceeding TDC limits by approximately \$23,000 per unit, and are asking to be permitted to exclude the EBRPHA HUD funds and State CDBG grant which are being loaned in the project to the extent necessary to achieve TDC limits. We should note that this will not increase the amount of low income housing tax credits being provided by LHC, and further that this treatment is consistent with what was permitted in the QAP prior to 2014 and again in 2015.

In each of EBRPHA’s previous three tax credit awards, Autumn Place, Willow Creek, and Roosevelt Terrace, the QAP excluded the use of government grants from total development costs for the purpose of establishing the maximum average TDC per unit. This was an essential element for the success of the three previous projects as each incorporated a mix of HUD, PHA, and other government funding to meet the required costs of redevelopment.

Each of these mixed-financed transactions included additional legal fees as a result of the complex HUD approval process from the demolition/disposition process and approval to evidentiary document preparation and approval, as well as approvals related to project-basing housing choice vouchers and other related programs. These costs, coupled with larger unit sizes, a higher level of energy features and quality and selection of finishes and materials, Davis Bacon requirements and significant Section 3 and MBE/WBE participation and solicitation, resulted in a TDC per unit that would have exceeded the QAP standards, but for the exclusion of the HUD and PHA funds from total development costs.

Our new project, River South, has all of the costs and complexities of the previous three projects. However, the 2014 QAP requires we “include” the cost of government grants in total development costs. The change creates unique funding and regulatory challenges for which we have no choice but to seek relief from the QAP TDC change. We believe we have ample justification to request a waiver of this requirement as described below. Furthermore, as you know, the 2015 QAP along with the 2016 QAP have returned to the language excluding government grants from Total Development Costs, thus evidencing LHC’s intent to again exclude such costs, and so 2014 QAP is the only recent QAP that contains this language.

As you know, there are a variety of specific issues that PHA’s face when undertaking redevelopment, and while we believe that we met the intent of the QAP to contain costs, we are asking for the exclusion of a modest amount of costs for the reasons discussed below. From the original tax credit submission, hard costs increased approximately \$427,000 higher and soft costs increased \$473,000. These costs are primarily in the following areas of development:

1. On May 17<sup>th</sup>, 2016, we learned of Louisiana Department of Transportation’s plans to route their new I10/Highlands Road off ramp directly through our Oklahoma Street site. Originally, this specific site was planned to accommodate 9 units. The compromise to losing the entire Oklahoma Street site is to redesign and plan a multifamily building and within the master plan design context of the “Water Campus” mentioned above that is adjacent to the site. The newly designed building will accommodate 18-units in a three-story configuration and will not trigger any zoning issues with the City of Baton Rouge. The cost of the new building includes architect-engineer re-design fees, higher construction costs related to new stairs, fire alarm and fire suppression systems, larger integrated community space, single-ply membrane roof to name a few.
2. Our final design reflects an increase of floor area of nearly 3,000 SF in response to needs and recommendations of its residents.
3. Several lots have required extensive drainage improvements and retaining walls that were not anticipated.
4. Surveying, civil engineering and re-platting costs associated with the original scattered 31 lots.
5. Environmental Phase I, HUD environmental clearance and geo-tech testing on 31 scattered lots.

Letter to Mr. Keith Cunningham

September 1, 2016

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6. Legal fees associated with the HUD Mixed-Finance Proposal and evidentiaries, Subsidy Layering Review, extensive title research to clear numerous title defects.
7. Additional required reserves, including an ACC reserve

As discussed above, we believe that we have stayed within reasonable cost parameters. We respectfully request the ability to exclude the State CDBG and EBRPHA funds (consistent with prior QAP's and again the recently finalized 2015 and 2016 QAP) in order to address unusual site conditions and meet the specific objectives of our public housing redevelopment. We greatly appreciate your continued assistance and partnership with respect to our worthwhile redevelopment efforts.

Sincerely,



Richard L. Murray  
Chief Executive Officer