



# **Board of Directors**

## **Agenda Item 10**

**Resolution approving material changes to  
Bastion Phase II**

**April 12, 2017**

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## LOUISIANA HOUSING CORPORATION

The following resolution was offered by \_\_\_\_\_ and seconded by \_\_\_\_\_.

### **RESOLUTION**

**A resolution approving changes to Bastion Phase II (1917 Mirabeau Avenue in New Orleans, Orleans 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 Bastion Phase II has submitted a request to approve a material changes to the project including decreasing the number of units to twenty (20) units from forty (40) units, exceeding the per unit development costs limits and waiving the point requirement for the project costs to be less than 10% of the development costs limits established by the 2016 Qualified Allocation Plan; and

**WHEREAS**, the staff of the Corporation has processed the request for Bastion Phase II in accordance with the Qualified Allocation Plan and is prepared, based upon the review of the request, to recommend approval of the request to reduce the number of unit to twenty (20), exceed the total development costs limits and waive the point requirement for the project costs to be less than 10% of the QAP total development costs limits:

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the Louisiana Housing Corporation, that:

**SECTION 1.** Bastion Phase II (the "Project") request to reduce the number of project units, exceed the development costs limits and waive the point requirement for the project costs to be less than 10% of the QAP total development costs limits is 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 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:

ABSTAIN:

NAYS:

ABSENT:

And the resolution was declared adopted on this, the 12th day of April 2017.

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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 April 12, 2017, entitled, "A resolution approving changes to Bastion Phase II (1917 Mirabeau Avenue in New Orleans, Orleans 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 12<sup>th</sup> day of April 2017.

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**Secretary**

(SEAL)

**BASTION II**  
**BASTION NEW ORLEANS PARTNERS II, LLC**  
**NEW ORLEANS, ORLEANS PARISH**

### Reason for Requested Reprocessing

Requesting approval of:

- \$292,665.44 in Low Income Housing Tax Credits Approved
- Material Changes due to the reduction in scope of the project

### Project History and Previous Board Action

- **November 2015** - LHC Board approved and awarded Bastion II \$263,425 in 9% LIHTCs during the 2016 competitive funding round.
- **March 2016** - \$29,240 in additional 9% LIHTCs awarded.
- **Development Team** – David Miller; Bastion New Orleans Partners II LLC; Bastion New Orleans GP II LLC; Bastion Community of Resilience

### Reprocessing Involves the Following Changes

|                        | Approved | Proposed<br>Reprocessing | Increase/(Decrease) |
|------------------------|----------|--------------------------|---------------------|
| 1.) No. of Buildings   | 21       | 11                       | (10)                |
| 2.) No. of Units       | 40       | 20                       | (20)                |
| 3.) Unit Size (sq.ft.) | 887      | 980                      | 102                 |

### Project Specifics

#### New Construction Costs

|                                    |                       |
|------------------------------------|-----------------------|
| <b>New Construction Hard Costs</b> | \$3,080,760.00        |
| Soft Costs                         | \$1,222,903.27        |
| Land Costs                         | \$265,000.00          |
| Reserves                           | \$139,860.00          |
| <b>Total Costs</b>                 | <b>\$4,708,523.27</b> |

#### Unit Mix

|                    |           |
|--------------------|-----------|
| 1 Bedroom Units    | 4         |
| 2 Bedroom Units    | 12        |
| 3 Bedroom Units    | 4         |
| 4 Bedroom Units    |           |
| <b>Total Units</b> | <b>20</b> |

| Development Costs:                           | Approved              | Reprocessing          | Net Change              |
|--|-----------------------|-----------------------|-------------------------|
| <b>Total Development Cost</b>                | <b>\$7,458,385.00</b> | <b>\$4,708,523.27</b> | <b>(\$2,749,861.73)</b> |
| TDC (-reserves, community facility & grants) | \$6,344,499.00        | \$4,088,663.27        | (\$2,255,835.73)        |
| Total Units                                  | 40                    | 20                    | (20)                    |
| Total Buildings                              | 21                    | 11                    | (10)                    |
| Total Cost/Unit                              | \$158,612.48          | \$204,433.16          | \$45,820.69             |
| Total Square Feet                            | 35,099                | 19,596                | (-15,503)               |
| <b>Total Cost/SF</b>                         | <b>\$180.76</b>       | <b>\$208.65</b>       | <b>27.89</b>            |

#### Funding Sources:

|  |                       |                       |                        |
|--|-----------------------|-----------------------|------------------------|
| Permanent First Mortgage                               | \$3,750,000.00        | \$1,250,000.00        | (\$2,500,000.00)       |
| Gross Tax Credit Equity                                | \$2,633,989.00        | \$2,633,00            | (\$263.44)             |
| Governmental Support<br>(Philanthropy, RA & DPW Funds) | (\$996,636.00)        | (480,000.00)          | \$516,636.00           |
| Deferred Developer Fee & loan                          | \$77,760.00           | \$344,797.71          | \$267,037.00           |
| Reserves/Community Facility                            | (\$117,250.00)        | (\$139,860.00)        | (\$22,610.00)          |
| <b>Total</b>   | <b>\$6,344,499.00</b> | <b>\$4,088,663.27</b> | <b>(\$2,55,835.73)</b> |

## BASTION II

### BASTION NEW ORLEANS PARTNERS II, LLC

### NEW ORLEANS, ORLEANS PARISH

#### Estimated Economic Impact\*

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

|  | During Construction<br>(One-Year Impact) | Post-Construction<br>(Annual Impact) |
|--|--|--------------------------------------|
| <b>Local Employment Income</b>           | \$1,580,000.00                           | \$480,000.00                         |
| <b>Local Employment Taxes</b>            | \$165,400.00                             | \$88,200.00                          |
| <b>Local Jobs</b>                        | 25                                       | 6                                    |
| <b>LHC Application/Reprocessing Fees</b> | \$750.00                                 | \$0.00                               |
| <b>Compliance Monitoring Fees</b>        | \$200.00                                 | \$0.00                               |

#### Area Demographic Profile

*Source: U.S. Census Bureau, American Fact Finder*

| Orleans Parish                             |                  |
|--|------------------|
|  | <b>2007-2011</b> |
| <b>Median Household Income</b>             | \$53,482.00      |
| <b>People living in poverty</b>            | 16%              |
| <b>People living at or above poverty</b>   | 84%              |
| <b>Households earning \$14,999 or less</b> | 13%              |

#### 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 |
|--------------|----------|--------------------------------|
| 2            | 20%      | PBRA                           |
| 10           | 60%      | Tax Credit                     |
| 8            | Over 80% | Market Rate                    |
| <b>20</b>    |          |                                |

#### 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 |



2600 Gravier Street  
New Orleans, Louisiana 70119  
(504) 207-1970

March 31, 2017

Louisiana Housing Corporation  
2415 Quail Drive  
Baton Rouge LA 70808

**Re: Bastion Phase II (#2016-017)**  
**Response to Conditional Award Letter & Reprocessing Request**

Dear Ladies and Gentlemen,

As directed in the LHC letter dated March 17, 2017, in response to the additional conditional commitment of LIHTCs in the amount of \$29,240.44 from the 2016 LIHTC Credit Ceiling for a total LIHTC award to Bastion Phase 2 of \$292,665.44, we are presenting this reprocessing application for Bastion Phase 2 by March 31<sup>st</sup> rather than the April 17<sup>th</sup> deadline because Bastion Phase 2 as represented in this reprocessing application will require material changes.

As discussed when we met at LHC's office on March 29, Bastion Phase II (the "Project") has encountered various difficulties as it moves toward a financial closing, which will require changes vis-à-vis its original application commitments. These challenges include:

- Did not receive \$1M of TCAP as requested in our original application
  - LHC knew at the time the original award was made that Bastion 2 had a gap
- Construction costs increases require containment
  - Original GC no longer involved, national disasters affecting the cost of materials and labor in certain trades, and other factors
- Mixed Income – Forced to reduce market rate component and rental rates
  - Market rate units are essential to the mission, but are risky in the eyes of LIHTC investors who require risk mitigation measures to tolerate market rate exposure such as reducing expected rental income.
- Decreased loan proceeds due to reduction in market rate rents & loss of favorable debt terms
  - The decreased loan size driven by investor reduction to expected market rate rental income has reduced the size of the loan to the point where a HUD 221d4 loan with favorable debt terms is no longer available to the project. We must accommodate market rate debt terms.
- Decreased equity pricing of LIHTCs post-election

As a result we have made the following changes to the project vis-à-vis its original application:

- Reduced the scale of project from 40 units to 20 units
- We have since raised \$480,000 in philanthropy and increased deferred developer fee
- Increased the number and percentage of LIHTC units in the project –
  - from 60% Market Rate (24 units) – 40% Affordable (16 units)
  - to 40% Market Rate (8 units) – 60% Affordable (12 units)

Comparing the Original Application to the Reprocessing Application:

What Has Changed:

# of units decreased  
Affordability increased  
Market rate rents decreased  
Construction costs increased  
Acquisition price decreased  
TDC/Unit increased

What Hasn't Changed:

Still a smaller project  
Still mixed income  
Still providing market rate units  
Design remains the same  
No change to location, still contiguous with Phase 1  
Unit amenities remain constant  
Service to Veterans, the disabled and PSH  
Community Facility still provided

Side by side comparison of Sources & Uses from Original Application to Reprocessing Application:

**SOURCES:**

Original Application:

|                        |             |
|------------------------|-------------|
| First mortgage:        | \$3,750,000 |
| TCAP:                  | \$1,000,000 |
| LIHTC equity:          | \$2,633,989 |
| Def'd developer fee:   | \$ 74,396   |
| Total Development Cost | \$7,458,385 |

**USES:**

Original Application:

|               |             |
|---------------|-------------|
| Acquisition:  | \$ 525,000  |
| Hard Costs    | \$5,000,000 |
| Soft Costs    | \$1,033,385 |
| Developer Fee | \$ 900,000  |
| TDC           | \$7,458,385 |

Reprocessing Application

|                      |             |
|----------------------|-------------|
| First mortgage:      | \$1,250,000 |
| Philanthropy:        | \$ 480,000  |
| LIHTC equity:        | \$2,633,726 |
| Def'd developer fee: | \$ 344,798  |
| TDC                  | \$4,708,523 |

Reprocessing Application:

|               |             |
|---------------|-------------|
| Acquisition:  | \$ 265,000  |
| Hard Costs    | \$3,080,760 |
| Soft Costs    | \$ 787,763  |
| Developer Fee | \$ 575,000  |
| TDC           | \$4,708,523 |

This reduction in the scale of the project requires the following approvals:

- Scoring Criteria Change
  - Bastion 2 scored 90.5 points and was ranked 4<sup>th</sup> on the list of 2016 projects awarded LIHTCs
  - The Project's total development cost will not comply with the "10% Below TDC Cap" Selection Criterion, so we will lose the 3 points associated with that Scoring Criteria, bringing the Project's score to 87.5.
  - Moving from a 60% market-40% Affordable to a 40% Market-60% Affordable project causes us to lose 6 points under the Mixed Income Project selection criterion, bringing our score to 81.5
  - Lowest ranking project on 2016 Award list scored 78 points
- Material Changes
  - Greater than 10% decrease to unit count (was 40 units, now 20 units)
  - Greater than 10% change in the total number of structures (was 20 residential structures, now 10)
  - Greater than 10% change in the projects sources or uses

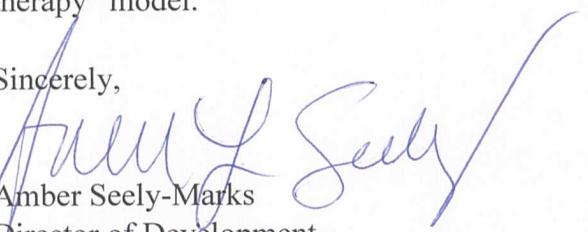
- Neither a Score nor a Material Change
  - Waiver from the TDC/unit cap
- Given that these changes were out of the control of the developer, we also request the LHC board waive the penalty points to future Renaissance Property Group LIHTC applications associated with these changes.

Enclosed is our reprocessing application incorporating the changes outlined above. This application includes the following:

1. Reprocessing application / AMEC Model (enclosed) which includes:
  - a. Updated project schedule
2. Updated Funding Commitments
  - a. Pricing statement regarding the additional equity: LOI from Equity Investor (to follow)
  - b. Term Sheet from Lender (enclosed)
  - c. Confirmation of philanthropic commitments (enclosed)
3. Updated site control documents (property purchased 6/2/2016) (enclosed)
4. Reprocessing Fees (to follow via mail)
5. Additional submission unique to Bastion Phase 2
  - a. Architectural plans showing reduced scope of project (to follow)
  - b. Letter confirming points for Leveraging Disability Funding (enclosed)
  - c. Description of Supportive Services for Special Needs population (Veterans) (enclosed)
  - d. Letter approving change in property manager (enclosed)

We are aware that these changes are significant, and we do not make them lightly. But LHC's approval sought in the reprocessing application is necessary in order for this important project to move forward. Please know that we have done everything in our power to rein in costs and to execute this mixed-income development, which is highly challenging in today's affordable housing finance environment. We hope, too, that LHC will remain mindful of the overriding purpose of this project—to enable our veterans to heal and thrive in our unique "community as therapy" model.

Sincerely,

  
Amber Seely-Marks  
Director of Development