



ST. CHARLES PARISH HOUSING AUTHORITY
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March 11, 2020

Michelle Impastato
Council Secretary
St. Charles Parish Council
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Re: Streamlined Voluntary Conversion Program of the Housing Authority of Saint Charles Parish

Dear Michelle:

Representatives of the Housing Authority of St. Charles Parish (“**SCPHA**”), Standard Enterprises, Incorporated (“**SEI**”) of Monroe, Louisiana, as SCPHA’s Development Partner, and Butler Snow LLP as Bond Counsel will attend Legislative Committee Meeting for March 23rd at 5:00 pm in the Council Chambers. See below our preliminary responses to the information requests of Councilwoman Fonseca.

- **Information Request:** *Spreadsheet workup of the proposed bond issue showing the details similar to what Foley & Judell provided in connection the recent hospital bond refinance.*
 1. **Response:** We note that the recent hospital bond refinance handled by Foley & Judell consisted of a \$3,500,000 of Taxable General Obligation Refunding Bonds of Hospital District No.1 of the Parish of St. Charles. The structure and terms of a General Obligation Bond (“**GO Bond**”) are completely different from a Multifamily Housing Revenue Bond (“**Housing Revenue Bond**”). A GO Bond is secured by unlimited ad valorem taxes which constitute one of the most creditworthy revenue streams to secure a bond issued for public purposes in St. Charles Parish. A GO Bond is generally not a private activity bond. The Housing Revenue Bonds to finance the repositioning and redevelopment of public housing

(“**Project**”) will be private activity bonds receiving a volume cap allocation under Section 146 of the Internal Revenue Code of 1986, as amended (the “**Code**”) and will be issued by the Louisiana Housing Corporation (“**Issuer**”). Costs paid with the proceeds of the Housing Revenue Bond will qualify the Project for low-income housing credits (“**LIHTCs**”) allowed by Section 42(h)(4) of the Code. Housing Revenue Bonds are more complex transactions than GO Bonds and debt service on GO Bonds will generally be paid from the rents collected from tenants occupying the residential rental units in the Project. Please see **Exhibit “A-1”** providing a summary of Preliminary “Other Soft Costs” for a Housing Revenue Bond in the range of \$10,000,000 and **Exhibit A-2**” providing a table of the soft costs of issuing Housing Revenue Bonds compared to GO Bonds assuming the principal amount of GO Bonds and Housing Revenue Bonds is \$10,000,000.

- **Information Request:** Draft template of the letter of support needed from the Parish Council.
 - **Response:** See **Exhibit “B”** for draft Parish Council Letter.

- **Information Request:** Copy of the Master Development Agreement.
 - **Response:** See **Exhibit “C”** for copy of executed Master Development Agreement.

- **Information Request:** Estimated amount and plans for use of the remainder of the bond fees to be received by the Housing Authority following payoff of all debt.
 - **Response:** See “Unit Mix Projected Rental Rates and Calculation of Loan Amount” as **Exhibit “D”** which shows a forty (40) year First (1st) Mortgage Loan (“**1st Mortgage**”) amortization schedule and surplus cash of \$122,572 available to repay SCPHA Seller Take Back Note.

- **Information Request:** Details regarding the ownership and management under the proposed arrangement.
 - **Response:** See diagram in **Exhibit “E”** evidencing proposed ownership structure and the flow of bond proceeds to finance a loan to a Taxpayer/Borrower, equity paid by investors, tax credits flowing to investors, rents collected from tenants, and how debt service on the Housing Revenue Bonds are effectively paid from Project rents.

- **Information Request:** Estimated future annual Housing Authority revenue vs. expenditures under the proposed arrangement for the life of the lease and bond terms.
 - **Response:** See **Exhibit “D”** estimating the Current Gross Potential Rental Income available to pay Administrative and Operating Expenses and Reserves over the life of the 1st Mortgage. SCPHA anticipates having full ownership of the three sites after the initial 15-year compliance period for Tax Credits. All net operating

income (“*NOI*”) of \$408,572 allocated to Debt Service after the 1st Mortgage is paid will flow directly to SCPHA.

- **Information Request:** Any other information you may have that would assist the Council as they consider this matter.
 - **Response:** See Q & A from HUD below as to why HUD is requesting SCPHA to reposition its 129 ACC public housing units.

Q: What does HUD mean by “repositioning public housing”?

A: Repositioning public housing means moving public housing units to a more stable funding and flexible management model rather than the more traditional public housing model. Through repositioning, public housing agencies (PHAs) and their partners are able to access financing to repair and preserve units to provide better homes to thousands of families and more flexibly manage their affordable housing to better meet local needs. PHAs and local communities can voluntarily choose to reposition their units by converting their current public housing subsidies to project-based rental subsidies or to tenant-based vouchers.

Q: Why is there a need for public housing repositioning?

A: Federal funding does not and will not meet growing public housing rehabilitation needs. The nation’s approximately 1 million public housing units have unmet capital needs that were conservatively estimated at almost \$26B in 2010, and this figure grows by \$3.5B every year. As more and more units fall into disrepair, fewer families will have access to livable units. The Department encourages local communities to evaluate their public housing assets to determine if repositioning their public housing units could better meet their affordable housing needs.

SCPHA’s strategy to reposition its public housing units through HUD’s Streamlined Voluntary Conversion Program is the best option for improving the quality of housing for the current residents of public housing units. The repositioning and the rehabilitation also constitute economic development in the Parish of St. Charles. Please let me know if additional information is requested by other members of the Council.

Sincerely,



Leatrice Hollis

Executive Director

St. Charles Parish Housing Authority