

Historic Fayette County Courthouse Rehabilitation Project

Council Work Session

August 18, 2015

Office of the CAO

Agenda

- How We Got Here
- Overview of Work Completed or In Progress
- Historic Tax Credit (HTC) Program Overview
- The Structure
- Next Steps
- Questions



How We Got Here

Why Save it?

- Largest Richardsonian Romanesque building in Kentucky
- A visual, architectural, and cultural landmark
- Iconic, historical building that cannot be replaced
- Central component to the nationally registered Downtown Commercial District



How We Got Here

Why Now?

- Assessment report told us the building can and should be saved
 - Time is of the essence
- Most responsible approach is the Historic Tax Credit (HTC) process
 - Opportunity to leverage private funds for rehabilitation



How We Got Here

Why This Approach?

- Capital costs too large for private developer to take on without requiring unattainable lease prices
- The LFUCG's involvement (bond contribution and formation of managing entity) in the Private Public Partnership (PPP) makes the difference
 - The LFUCG requires entity to generate revenue to cover operating expenses vs. private developer requirement for much greater Return On Investment (ROI)
 - Maintain greater control over the uses of building



Overview of Work

Completed or In Progress

- Since the March 2015 Historic Courthouse Council Workshop we have:
 - Procured a Development Agent
 - City Visions/AU Associates
 - Received State approval of our eligibility under the State Extended Tax Credit statute
 - Received Federal approval for the Part 1 (the first step of the tax credit certification process)



Overview of Work

Completed or In Progress

- Drafted and advertised the Architectural/Engineering (A/E) RFP-
 - Proposals received on July 27th, 2015
 - Selection Committee met on August 6th, 2015
 - + Selected three firms to interview
 - + Interviews scheduled for August 17th, 2015
- Drafted and advertised the Legal RFP
 - Proposals received on August 7th, 2015
 - Selection Committee to meet on August 20th, 2015
- Currently advertising the Accounting RFP
- Received 2 Brownfield grants worth \$212K



Historic Tax Credits

Program Overview

- Provides an opportunity to leverage private money through equity contributed by a tax credit investor
- Federal and State programs require strict adherence to the historic preservations standards of the Secretary of the Interior
 - Defines the qualified expenses eligible for HTC Program



Historic Tax Credits

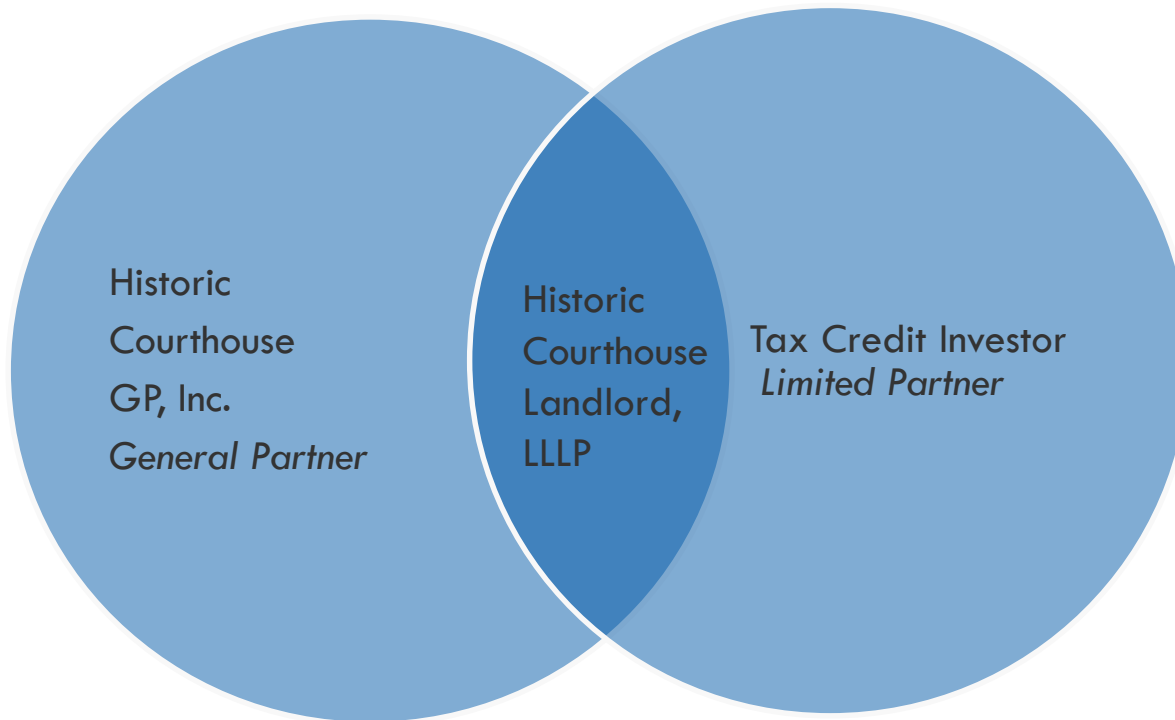
Program Overview

■ Key Points

- State enhanced program required us to start July 1st, 2015, no deadline on Federal program
- State Maximum credits= 20% of project cost, \$6m cap, 24 consecutive month window
- Fed Maximum credits= 20% of project cost, no cap
- HTC Process outlines uses of the property upon completion of project



The Structure



NOTE: Structure and analysis will be tested and potentially updated as financing and operating assumptions are further developed.



The Structure

For-Profit Partnership Development

- For-profit partnership (LLLP) must be created to facilitate tax credit equity investment
 - Must be a taxable (for-profit) entity to use the credits



The Structure

Role of the Legal Entities

- Historic Courthouse General Partner (GP) (Corporation)
 - Serves as General Partner of the Historic Courthouse, LLLP
 - Will work with legal experts to determine maximum level of involvement LFUCG can maintain without jeopardizing tax credits
 - Operated by a board appointed by the LFUCG
 - Membership will consist of LFUCG representatives



The Structure

Role of the Legal Entities

- Historic Courthouse Landlord, LLLP
 - Leasing and Operating Entity
 - Holds long-term (75-99 yrs, e.g.) lease with the LFUCG (The LFUCG retains ownership)
 - Procures construction contract, awards contract, and dispenses payments
 - Executes operations, including tenant management and leasing and maintenance of facility
 - Contracts originally initiated by the LFUCG will transfer to the Historic Courthouse Landlord, LLC (A/E, Legal, Accounting, Construction Management Services)



Next Steps

- Award Architectural/Engineering (A/E) Contract in August 2015
 - Initiate Schematic Design Phase
 - Create a bifurcated process to maximize HTC's
 - Plan for separate work on exterior and potentially the roof replacement
 - Work in tandem with Development Agents and potential tenants



Next Steps

- Evaluate and determine potential uses and solicit potential tenants
 - Process is currently underway
 - More than 51% of the building must be leased by private entities or meet certain requirements with respect to the lease terms
 - Prepare financial models and develop pro formas and cash flows to determine viability of the project
 - What are the operational costs?
 - What are the anticipated revenues?
 - Is there a gap?



Next Steps

- Procure Legal and Accounting Services
 - To Council for approval in August/September 2015
 - Necessary for
 - HTC process- compliance and maximization
 - Creation of the GP and LLLP
 - Financial projections and planning for investors



Next Steps

- Historic Courthouse GP, Inc. and the Historic Courthouse Landlord, LLLP will be created by the LFUCG and presented to the Urban County Council for approval
 - Board of Directors will be appointed
 - All contracts will transfer to this entity
 - Bond proceeds will transfer to this entity



Questions?