

Historic Fayette County Courthouse Rehabilitation Update

Council Work Session
March 1, 2016

Office of the Chief Administrative Officer



LEXINGTON



Agenda

- Project Overview
- Work In Progress
- Legal Structure
- Financial Contributions
- Next Steps
- Questions



Project Overview

- Project will enhance economic development of the Historic Courthouse Square
- The Lexington Fayette Urban County Government (LFUCG) will provide economic development assistance through newly created legal entities for the rehabilitation of the Historic Courthouse
- A public-private partnership will leverage private money in the form of tax credits to complete the project and ensure future financial sustainability of the project



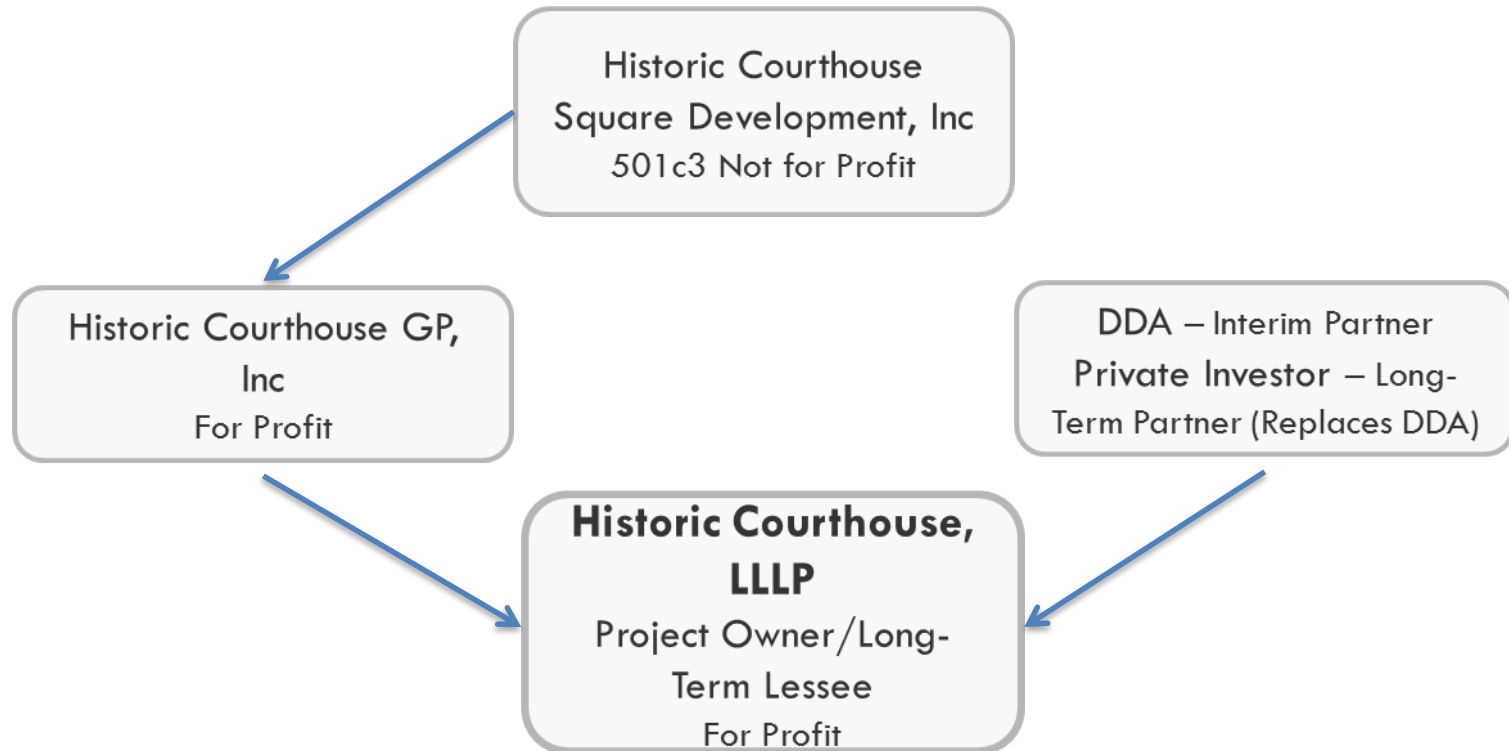
Work in Progress

State Historic Preservation Office (SHPO) Part II

- Development Agents are currently preparing the SHPO Part II application
 - Necessary for the use of historic tax credits
 - Part II Submittal Requirements
 - All major building features described
 - Photographic documentation of all areas of the property
 - Floor plans and drawings of existing conditions and proposed work
 - Proposed work evaluated based on Secretary of the Interior's Standards for Rehabilitation
 - No work can begin until the Part II application is approved

Work in Progress

Creation of Legal Entities





Legal Structure

Explanation of Entities

- **Historic Courthouse Square Development, Inc**
 - Not for profit (501c3)
 - Charitable – will be able to receive tax deductible donations from potential donors
 - Application and submission to the IRS is in process
 - Board of Directors to be named
 - Will encourage, support, and promote the cultural history of the Historic Fayette County Courthouse and the development of the project
 - Will form a wholly-owned for profit subsidiary , the Historic Courthouse GP, Inc



Legal Structure

Explanation of Entities

- Historic Courthouse GP, Inc
 - For profit
 - Board of Directors named
 - Allows for an expansion of Board of Directors membership in the future
 - Will form the Historic Courthouse, LLLP and will serve as the General Partner of the Historic Courthouse, LLLP



Legal Structure

Explanation of Entities

- **Historic Courthouse, LLLP**
 - For profit
 - Historic Courthouse GP, Inc and partner(s) will form the LLLP
 - Interim partner will be the Downtown Development Authority (DDA), Inc
 - One or more investor limited partners will be admitted to the partnership and then the DDA will withdraw
 - Will control all operations of the Historic Courthouse
 - Will operate the project under the historic tax credit requirements (market rate tenants controlled by the for-profit entity) and capital provided by both the Historic Courthouse GP, Inc and one or more investors
 - Will be the master tenant of the Historic Courthouse
 - Will hold long-term (75 year) lease with the LFUCG Public Facilities Corporation (PFC)



Financial Contributions

Economic Development Loan

- LFUCG to enter into an Economic Development Loan agreement with the Historic Courthouse, LLLP
 - An amount not to exceed \$12M
 - These LFUCG funds will provide capital to the project until the General Partner and future investors contribute capital to the partnership
 - Loan and related documents must be approved by the Commissioner of Law and the Commissioner of Finance



Financial Contributions

Economic Development Grant

- LFUCG will provide funds via an Economic Development Grant to the Historic Courthouse Square Development, Inc.
- The Historic Courthouse, LLLP will be provided these funds
 - Grant of \$22M
 - Will be leveraged with private investment to complete the rehabilitation of the Historic Courthouse
 - The Historic Courthouse, LLLP will repay the \$12M Economic Development Loan to the LFUCG with proceeds of investor equity (private sources) and the grant proceeds



Next Steps

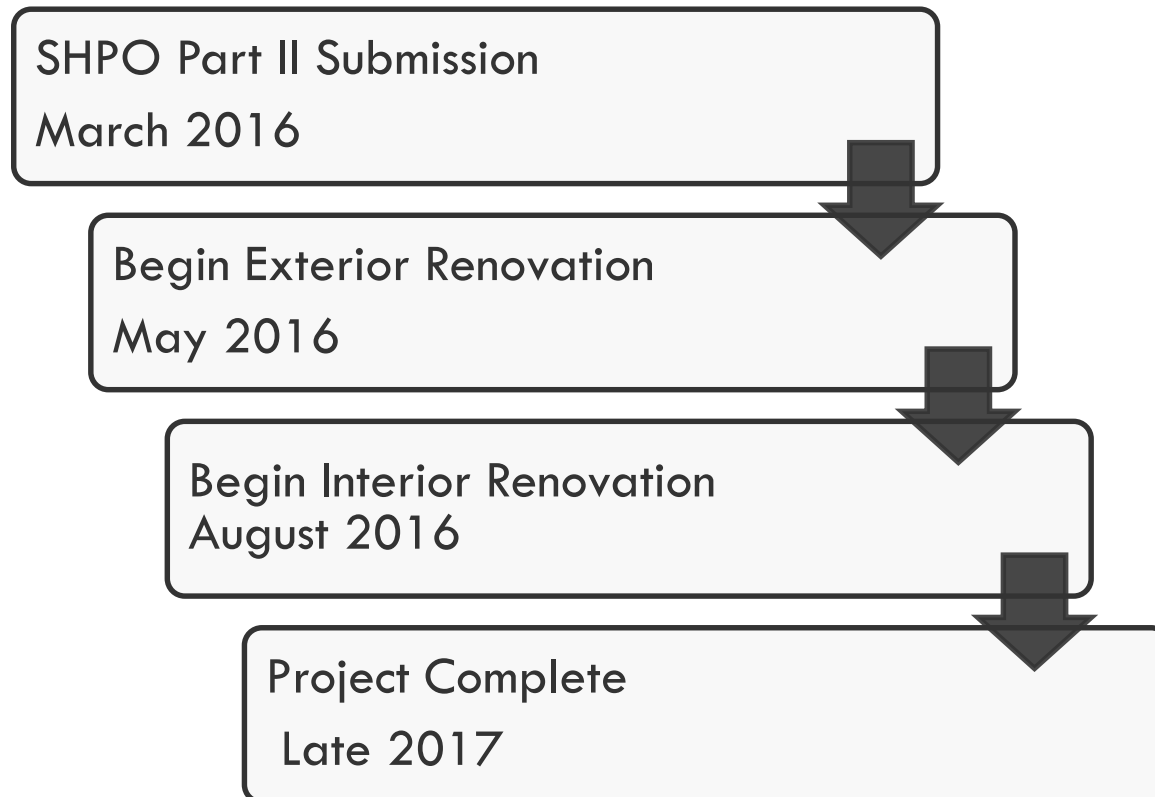
Legal and Financial

- Urban County Council approval of resolution
 - Will endorse the creation of the legal entities
 - All current contracts will be transferred to the Historic Courthouse, LLLP
 - Any future contracts will be procured and awarded by the Historic Courthouse, LLLP, which will adopt a formal procurement process
 - Will authorize the ground lease between the LFUCG PFC and the Historic Courthouse, LLLP
 - Will authorize the Economic Development Loan agreement
 - Will endorse a future Economic Development Grant



Next Steps

Construction Timeline





Questions?