



Mayor Jim Gray

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
Division of Grants and Special Programs

TO: JIM GRAY, MAYOR
URBAN COUNTY COUNCIL

FROM: IRENE GOODING, DIRECTOR
DIVISION OF GRANTS AND SPECIAL PROGRAMS

DATE: OCTOBER 8, 2012

SUBJECT: REQUEST COUNCIL AUTHORIZATION TO APPROVE A
SUBSTANTIAL AMENDMENT TO THE 2012 CONSOLIDATED
PLAN, PROVIDING FOR ESTABLISHMENT OF A NEW
COMMUNITY DEVELOPMENT BLOCK GRANT PROJECT--
REQUIRES PUBLIC HEARING ON OCTOBER 25, 2012

A substantial amendment is proposed to the 2012 Consolidated Plan. The 2012 Consolidated Plan was approved by the Urban County Council on April 26, 2012 (Resolution No. 200-2012), approving acceptance of federal funds under the Community Development Block Grant Program, the HOME Investment Partnerships Program, and the Emergency Shelter Grants Program.

A new project is proposed under the Community Development Block Grant Program. The new project is an economic development project that requires the submission of a Section 108 Loan application in the amount of \$6,000,000 for the renovation of Fayette National Bank Building located at 159-67 West Main Street into a combination hotel and art museum. The 100,000 square foot project will house 90 hotel rooms, approximately 12,000 square feet of public and gallery spaces, a 5,000 square foot restaurant, and 5,000 square feet of meeting spaces. The total cost of the project is \$36,500,000. Other project funds include a construction loan of \$14,000,000, federal and state historic tax credits of \$7,300,000, New Markets Tax Credits of \$2,400,000, Equity, repaid by state and local TIF of \$5,800,000, and a LFUCG loan in the amount of \$1,000,000.

21c Lexington LLC proposes to repay the \$6.0 million Section 108 loan over 20 years. It is requesting to pay interest only for the first seven years following closing and then amortize the principal over 13 years. The entire project will be owned by 21c Lexington LLC, a limited liability company controlled by the development team. The development team will provide the following as collateral for the Section 108 Loan: (1) a pledge of the project's cash flows (such pledge being junior to a similar pledge to secure the primary construction/permanent loan); and, (2) a second mortgage on the project..

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This is an economic development project that will principally benefit persons of low- and moderate-income through the creation of jobs. The developer is projecting the creation of 125 full-time equivalent jobs, of which at least 75 (60%) will be filled by low- and moderate-income persons.

Section 108 is the loan guarantee provision of the Community Development Block Grant (CDBG) program. Section 108 provides communities with a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects. Section 108 loans are not risk-free, however; local governments borrowing funds guaranteed by Section 108 must pledge their current and future CDBG allocations to cover the loan amount as security for the loan. In addition, all federal regulations pertaining to federal prevailing wage rates, Uniform Real Property Acquisition and Relocation Assistance Act, and environmental review requirements are applicable to this project.

This requirement for a public hearing to review plan amendments is required by both federal regulations and the approved Citizen Participation Plan.

It is hereby requested that Council approve a substantial amendment to the 2012 Consolidated Plan establishing 21c Museum Hotel Lexington as a new economic development project and to submit a Section 108 loan application to the U.S. Department of Housing and Urban Development in the amount of \$6,000,000 for purposes of re-lending to 21c Lexington LLC



Irene Gooding, Director

Xc: Richard Moloney, Chief Administrative Officer