

## **AGREEMENT**

THIS AGREEMENT (hereinafter referred to as "Agreement"), made and entered into this 11<sup>th</sup> day of May, 2017, by and between the **LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**, an urban county government pursuant to KRS 67A, (hereinafter referred to as "Government"), 200 East Main Street, Lexington, Kentucky 40507, on behalf of its Office of Homelessness Prevention and Intervention (hereinafter referred to as "OHPI"), and **LEXINGTON RESCUE MISSION**, 444 Glen Arvin Avenue, Lexington, Kentucky 40508 (hereinafter referred to as "Lexington Rescue Mission").

## **RECITALS**

**WHEREAS**, OHPI and Lexington Rescue Mission have identified a need for expansion of transitional housing beds and community services for people experiencing homelessness; and

**WHEREAS**, Lexington Rescue Mission wishes to expand its capacity to provide transitional housing and community services at a new, expanded facility located at 629 N. Broadway, Lexington, KY, 40508 (hereafter referred to as the "Project" and more particularly described in attached Exhibit A – Federal Home Loan Bank Application and incorporated herein by reference) and has received funding from the Federal Home Loan Bank and other sources to complete this Project; and

**WHEREAS**, Lexington Rescue Mission has requested, by letter dated June 21, 2016 (attached as Exhibit B and incorporated herein by reference) funding from the OHPI. The LFUCG Homelessness Prevention & Intervention Board has approved the request as a one-time .match grant for the Project; and

NOW THEREFORE, for and in consideration of the mutual promises and covenants herein expressed, the Government and Lexington Rescue Mission agree as follows:

(1) Lexington Rescue Mission shall provide transitional housing beds and community services at 629 N. Broadway, Lexington KY, 40508, as outlined in Exhibit A.

(2) The Government shall pay Lexington Rescue Mission a one-time payment in the amount of **Fifty-Five Thousand dollars (\$55,000.00)**, to be used exclusively for the acquisition and renovation of the location at 629 N. Broadway, Lexington, KY, 40508, and/or the purchase of necessary equipment and supplies to complete the Project;

(3) The term of this Agreement shall be for three (3) years. Should Lexington Rescue Mission fail to maintain the facility for uses indicated in Exhibit A for any period exceeding thirty (30) days, from the date of completed acquisition and renovations, Lexington Rescue Mission shall repay to the Government an amount equal to **One Thousand Five Hundred and Twenty Eight dollars (\$1,528.00)** for each full month remaining between the date program operations suspended and the date at which the three-year agreement would otherwise have expired.

(4) The terms and conditions of this Agreement may be extended or amended at any time by mutual agreement of the parties in writing. Modifications to the Agreement shall be in compliance with the Notice section of this Agreement.

(5) **NOTICES.** All notices allowed or required to be given hereunder must be in writing dispatched by United States mail, or hand delivered to the parties at the following:

**FOR GOVERNMENT:**

**FOR LEXINGTON RESCUE**

**MISSION:**

Lexington-Fayette Urban County Government  
200 East Main Street  
Lexington, KY 40507  
Attn: Charlie Lanter

Lexington Rescue Mission  
444 Glen Arvin Avenue  
Lexington, KY 40508  
Attn: Jim Connell


[ SIGNATURE PAGE TO FOLLOW ]

IN WITNESS WHEREOF, this Agreement is executed as of the day first written  
above.

LEXINGTON-FAYETTE URBAN  
COUNTY GOVERNMENT

LEXINGTON RESCUE MISSION

BY:   
Jim Gray, Mayor

BY:   
Title: Executive Director

ATTEST:

  
Clerk, Urban County Council



Application Number: 5448  
 Application Name: Broadway Housing  
 Application Type: Rental  
 Application Status: Pending  
 Round Name: 2016A  
 Type Of Construction: Rehabilitation

## EXHIBIT A

### Lead Contacts

Sponsor Name: Lexington Rescue Mission

First Name	Last Name	Email Address	Work Phone
Laura	Carr	laura@lexingtonrescue.org	859-381-9600x227

### Input Contacts

Organization Name	First Name	Last Name	Email Address	Work Phone
Capital For Compassion	Scott	Storteboom	scott@capitalforcompassion.com	616-422-5542

### Member Contacts

Member Name: PNC BANK, NATIONAL ASSOCIATION

First Name	Last Name	Email Address	Work Phone
John	Davis	john.h.davis@pnc.com	502-581-2576

### Application Information

**Application Description:** Lexington Rescue Mission began as Jim and Becky Connell from Columbus, Indiana started a ministry to the poor and homeless in the fall of 2000. Serving for Thanksgiving in 2001 started the services provided by Lexington Rescue Mission. Since that time, Lexington Rescue Mission has fed and clothed the poor and hungry in the Lexington community. In 2003, Lexington Rescue Mission started a residential program for 14 homeless persons. Over the last 16 years, Lexington Rescue Mission has grown in its ability to supply residency-based programs aimed at breaking the cycle of alcohol and drug dependency, serving the mentally ill, teaching life skills, and providing residents with supportive services and aftercare to maintain long-term, sustained independence. Lexington Rescue Mission owns and operates a medical clinic to provide medical services to their residents.

The project is to purchase the site which is currently a professional building. The building will be adaptively reused to provide housing for 13 homeless persons. After renovation, the building will provide bedrooms, enlarged bathrooms, congregate dining room and kitchen, office space, and a classroom. Once renovations are complete, 13 units of housing will be provided in the building for homeless residents.

The programs at Lexington Rescue Mission are designed to support and help individuals make the appropriate changes spiritually, physically, and vocationally to allow them to recover and succeed in life. Residents receive a well-balanced set of empowerment initiatives as described in the supplemental documentation. Programs are designed to take 12 months to complete and residents may stay beyond that time frame.

The project development budget is \$844,200; Lexington Rescue Mission is contributing \$20,344 in donations received and \$118,856 in equity to the project. These monies have been raised through local donations and foundations. Further the City of Lexington commits \$55,000 to the project. The \$650,000 AHP grant will close the gap. A \$650,000 construction loan will be secured from PNC Bank to cash flow construction.

Lexington Rescue Mission believes strongly in accountability, holding a third-party accreditation by the Evangelical



Council for Financial Accountability. Further, it is a member of the Association of Gospel Rescue Missions and has annual audits of its financial statements by Ray, Foley, Hensley CPAs and Consultants.

Does the application serve elderly individuals (62 years or older)? No

Is the project a rental or owner-occupied multi-family structure with five or more dwelling units? Yes

Will the project have single-room occupancy (SRO) units available for occupancy? Yes

Is the project a mixed-use project (i.e. a project that includes both residential and housing units and commercial space that generates income)? No

Does the project use any Federal Government Property; excluding Housing and Urban Development (HUD) owned property? No

Does the project use any HUD owned property? No

Is the project a single-family structure with one to four dwelling units? No

Site Information

Is the application single site? Yes

Is the address known? Yes

Address Line1	City	State	Zip code	County	Congressional District	Census Tract	MSA
629 N. Broadway	Lexington	KY	40508-1499	Fayette	06	0002.0	30460

Fair Housing

Will the project comply with all the federal, state and local Fair Housing Laws? Yes

Which method will you use to document how the project will comply with federal, state and local Fair Housing Laws? Attach

Subsidy Amount and Uses of Funds

Subsidy Amount

Grant Amount: \$650,000.00

Uses of Funds

Acquisition

Rehabilitation

AHP Specific Retention : Deed of Restriction

Have you been approved by or applying to another FHLB? No

Was the application previously submitted and/or approved by FHLBank Pittsburgh? No

Donated Property

Does the project involve the use of donated property as defined by FHLBank? No

Rental

**Type of Ownership Structure:** Wholly owned or multiple partners (Not LP or GP)

**Partner Name:** Lexington Rescue Mission

**Ownership Percent:** 100 %

**Type of Organization:** Not-for-profit organization

**Will Lexington Rescue Mission be integrally involved in the project, such as exercising control over the planning, development, or management of the project?** Yes

**Describe Lexington Rescue Mission's involvement in the project:** Lexington Rescue Mission is a 501(c)(3) nonprofit corporation and will have 100% ownership in the project. Lexington Rescue Mission will serve as the sole developer, owner, property manager, and program administrator.

**Description of unique features to ownership structure:** Lexington Rescue Mission is a 501(c)(3) nonprofit corporation and will have 100% ownership in the project. Lexington Rescue Mission will serve as the sole developer, owner, property manager, and program administrator.

**Targeting**

Units Description	Number of Units
Less than or equal to 30% AMI	3
Less than or equal to 50% AMI(Area Median Income)	13
51%-60% AMI	0
61%-80% AMI	0
Greater than 80% AMI	0
<b>Total</b>	<b>13</b>

**Housing for Homeless**

**Does the application specifically reserve at least 20% of the total units for homeless who meet the homeless definition?** Yes

**Units specifically reserved for the homeless:** 7

**Homeless Documentation**

Referrals  
Intake Form

**Will residents be permitted to stay at least six (6) months?** Yes

**Empowerment**

**Will the project have techniques that promote empowerment?** Yes

**Selected Empowerment Techniques:**

Case management  
Education (related to economic empowerment, other than employment training)  
Employment Training  
Financial Literacy/Credit Counseling/Budgeting  
Transportation

**First District Priority:** Special Needs



Does the project specifically reserve at least 20% of the total units for special needs individuals? Yes

Number of units specifically reserved for the special needs individuals: 7

Special Needs Population	Number of Units
Persons recovering from substance abuse	7

How will it be documented that individuals meet the definition of a special needs individual?

Referrals  
Intake Form

First District Priority: Rural

Does the application meet FHLBank's definition of rural in the Implementation Plan? No

First District Priority: Member Financial Participation

Does the application meet FHLBank's definition of Member Financial Participation in the Implementation Plan ? Yes

Second District Priority: Readiness to Proceed

Do you want to be considered for points under the readiness to proceed category? Yes

Does the application have site control for 100% of the properties required to complete the application? Yes

Does the application comply with current zoning? Yes

Describe the process taken to identify potential environmental issues: An Asbestos Survey Report was completed on July 18, 2016 by Air Source Technology, Inc. Sixteen samples were taken from the project site and evaluated by Environmental Hazards Services, LLC Laboratories.

Also, a Phase 1 Site Environmental Survey was completed on July 14, 2016 by Shield Environmental Associates, Inc.

Do any of the following site uses or conditions exist or have ever existed on the project property(ies)? No

- Gas station
- Dry cleaner
- Laundromat
- Brownfield
- A site that will undergo a conversion of use (non-residential to residential)

Have you completed an environmental assessment? Yes

Describe the environmental assessment and its findings: The Phase 1 Environmental Site Assessment did not find any environmental issues with the project site. The assessment concluded with the following: "This assessment has revealed no evidence of Recognized Environmental Conditions with the property."

Please see the exhibits Phase 1 Summary.pdf and Environmental Issues.pdf.

Did the Phase I identify the need for further testing? No

Does the application involve any known environmental issues? Yes

Has the application secured at least 75% of the gap funding sources (including AHP)? Yes

Describe the strategy to secure the remaining gap funding sources by Jun 15, 2017? All funds have been secured. The project development budget is \$844,200; Lexington Rescue Mission is contributing \$20,344 in donations received and \$118,856 in equity to the project. These monies have been raised through local donations and foundations. Further



the City of Lexington commits \$55,000 to the project. The \$650,000 AHP grant will close the gap. A \$650,000 construction loan will be secured from PNC Bank to cash flow construction.

Community Stability

**Do you wish to be considered for Community Stability points? Yes**

Category	Technique
Community Planning	TARGETED PRIORITIES: The project is able to demonstrate that the project meets targeted priorities identified in the approved plan.
Community Planning	PLAN CONSISTENCY: The project is consistent with an approved plan as defined in the AHP Implementation Plan.
Impact Techniques	DIFFICULT TO DEVELOP OR DISTRESSED : At least 75 percent of the properties in the project are located in an area designated as Metro or Non-metro.
Architectural Impact Techniques	ARCHITECTURAL COMPATIBILITY: The project is architecturally compatible with the community within which it is located.
Architectural Impact Techniques	CREATION OF COMMUNITY ASSETS: Creates one or more physical assets from which the project residents and residents of the surrounding community can benefit.
Architectural Impact Techniques	ADAPTIVE REUSE: Project adaptively reuses a property involving greater than \$25,000 per rehabilitated unit of hard rehabilitation costs.
The system will automatically score the following techniques	Projects that incorporate mixed-income housing in the development scheme. Mixed-income housing is defined as: (1) for rental projects, 20% or more units are targeted to households >60% of the AMI (the total number of units in the project will be used to determine the economic diversity score) or (2) for homeownership projects, 20% or more units are targeted to households >80% of the AMI (the total number of units in the project will be used to determine the economic diversity score).

Financial Feasibility

Permanent Sources of Funds

Source of Funds	Type	Description	Rate	Term (months)	Approved	Amount
Affordable Housing Program	Grant	AHP Grant	0.00%	0	No	\$650,000.00
Equity	Equity	Owner's Equity	0.00%	0	Yes	\$118,855.70
Donations	Equity	Owner's Equity	0.00%	0	Yes	\$20,344.00
Lexington City	Grant	Local Government Subsidy	0.00%	0	Yes	\$55,000.00
<b>Total Amount</b>						<b>\$844,199.70</b>

Units Breakout

	No of Units
Rehabilitation Units	13
New Construction Units	0
<b>Total Units</b>	<b>13</b>

	No of Units
units at <=50%	13
units at 51%-60%	0
units at 61%-80%	0
units at >=81%	0
<b>Total Units</b>	<b>13</b>





	No of Units
Efficiency Units	13
1-bedroom Units	0
2-bedroom Units	0
3-bedroom Units	0
4-bedroom Units	0
<b>Total Units</b>	<b>13</b>

Building has elevator? No

**Uses of Funds Summary**

Total Acquisition Costs	\$355,000.00
Total Construction / Rehabilitation Costs	\$375,274.70
Hard Construction Costs	\$0.00
Hard Rehabilitation Costs	\$322,990.88
Other Costs	\$52,283.82
Total Fees	\$79,300.00
Total Tax Insurance Costs	\$0.00
Total Construction Financing	\$14,625.00
Total Permanent Financing	\$0.00
Total Project Reserves	\$20,000.00
Total Syndication Fees and Expenses	\$0.00
Total Miscellaneous Costs	\$0.00
<b>Total Development Costs</b>	<b>\$844,199.70</b>

**Pro Forma**

Gross Annual Income	\$45,000.00
Effective Gross Income	\$46,250.00
Net Operating Income	\$6,360.00
Hard Debt Service	\$0.00
Initial Cash Flow	\$6,360.00
Debt Coverage Ratio	
Soft Debt Service	0.00
Secondary Cash Flow	\$6,360.00
Secondary Debt Coverage Ratio	

**Key Feasibility Values**

Average Square Foot Per Unit	518.46
Average Square Foot Per Unit (Rehabilitation)	518.46
Average Square Foot Per Unit (Construction)	0.00
Adjusted Total Development Cost	\$409,199.70
Total Development Cost Per Unit	\$64,938.44
Total Acquisition Cost Per Unit	\$27,307.69
Total Development Cost Per Square Foot	\$125.25
Cost Per Square Foot (Rehabilitation)	\$47.92
Cost Per Square Foot (Construction)	\$0.00
Common, Office Area Percentage	11.30%



Commercial Area Percentage	0.00%
Construction Contingency Percentage	4.16%
General Requirements Percentage	5.73%
Builder Overhead Percentage	1.81%
Builder Profit Percentage	5.42%
Bond Premium Percentage	
Soft Costs Percentage	13.50%
Developer Fee Percentage	13.98%
Architect and Engineer Fees Percentage	1.20%
Legal (Non-Acquisition) Fee Percentage	0.00%
Total Expense Per Unit	\$3,068.46
Controllable Expense Per Unit	\$1,255.92
Supportive Service Expense Per Unit	\$0.00
Management Fee Percentage	7.78%
Vacancy Rate	5.00%
Capitalized Operating Reserve (9 months +HDS)	0.67
Capitalized Operating Reserve (4 months +HDS)	1.50
LIHTC Equity	
Historic Tax Credit Equity	
Replacement Reserve	\$250.00
Income Trend	2.00%
Expense Trend	3.00%
Supportive Service Escrow	\$0.00

**Displacement**

**Will the project involve any permanent displacement and relocation of current residents? No**

**Will the project involve temporary relocation during construction and no permanent displacement? No**

**Sponsor Role**

**Specify Lexington Rescue Mission's role in the AHP project:**

- Owner
- Developer
- Property Manager
- Social Services Provider
- Planner

**Describe the Lexington Rescue Mission's affordable housing experience that is similar in size, scope, and target population to the currently proposed. Include the current status of these similar projects:**

Lexington Rescue Mission has 16 years of experience in administering housing and supportive services to the homeless. It has a board of directors comprised of experienced business individuals from the area.

Lexington Rescue Mission opened its current 14-unit residential facility in 2003. In 2015 and 2016, average occupancy was over 12 residents.

Lexington Rescue Mission previous projects include: 1) Limestone in Lexington, KY, 14 units of transitional housing purchased and renovated in 2003 for \$170,000; 2) Outreach Center in Lexington, KY, service facility and medical clinic for low-income persons, renovations completed in 2004 for \$150,000; 3) Forbes Road in Lexington, KY, the renovation of service space completed in 2016 for \$10,000.

Lexington Rescue Mission is led by Jim Connell, executive director for 16 years. Jim is responsible for the overall performance of the organization against its established mission statement and goals, leading the staff and reporting to the board of directors. Prior to starting Lexington Rescue Mission, Jim was a development associate for the Columbus

Regional Hospital Foundation where he raised money for a health clinic for low-income persons and other hospital projects. Jim also served at a chief financial officer for Quinco Behavioral Health Systems and was a certified financial planner for Oxford Financial Advisors. Jim has a bachelor's degree in accounting from Indiana University – Perdue University Indianapolis in Indiana.

Development and fundraising for Lexington Rescue Mission is led by Laura Carr, development director for nine years. Laura oversees the \$1.2 million annually raised through public support and actively builds relationships with potential new donors. During her nine years as development director, donations have doubled from \$600,000 to \$1.2 million and the number of gifts each year have increased by 62% from 11,755 to 18,732. These ensure Lexington Rescue Mission has a broad base of support. Laura is a Certified Fund Raising Executive and trains professionals of other organizations to apply for grants, find grant opportunities, and write proposals. Since 2012, Laura has trained more than 300 professionals in fundraising practices. Laura graduated magna cum laude with a Bachelor of Arts in English and communication from Valparaiso University in Valparaiso, Indiana.

Lexington Rescue Mission's Mark Kurtz, director of employment services, oversees maintenance operations and construction projects. Prior to joining Lexington Rescue Mission, Mark served as a senior project manager and estimator for Acousti Engineering Company. Mark prepared detailed construction estimates, oversaw procurement of materials and labor, and managed the construction projects. Mark has a Bachelor of Arts from Warner University in Lake Wales, Florida and a Master of Divinity from Asbury Theological Seminary in Wilmore, Kentucky.

Primary Developer

Is Lexington Rescue Mission also the primary developer? Yes

Development Team

Roles represented on the AHP project working team:

Role: Consultant

Organization Name: Capital for Compassion

Person Name: Scott Storteboom

Phone Number: 616-558-3646

Contract Executed: Yes

**Describe their affordable housing experience that is similar in size, scope and target population to the currently proposed. Include the current status of these similar projects.**

Lexington Rescue Mission is partnering with Capital for Compassion in preparing the AHP documentation. Capital for Compassion consults nationally with non-profit affordable housing providers to develop additional capacity and obtain AHP funds. Moving forward post grant award, Capital for Compassion remains involved with the organization for the duration of compliance by assisting in preparing the disbursement, project completion auditing, semi-annual progress reports, and monitoring. In the last 12 years, Capital for Compassion has consulted on 209 projects in development and obtained \$140 million for organizations that provide affordable housing for very low-income persons.

Role: General Contractor

Organization Name: LCM Construction LLC

Person Name: Mike Bailey

Phone Number: 859-621-8103

Contract Executed: No

**Describe their affordable housing experience that is similar in size, scope and target population to the currently proposed. Include the current status of these similar projects.**

Lexington Rescue Mission is partnering with LCM Construction to lead the construction activities. LCM Construction was established in 2011 and completed \$1.6 million in 2015. Three of its recent projects include: 1) 257 Lexington Avenue,

Lexington, KY, renovation of 6 units of 4 bedroom apartments completed in 2015 for \$470,000; 2) Shepherd's House, Lexington, KY, construction of 20 units completed in 2014 for \$300,000; 3) Lawson Pool House, Lexington KY, renovation of 1200 square foot pool house completed in 2015 for \$310,000.

**Role:** Architect  
**Organization Name:** Architecture Etc.  
**Person Name:** E. Thomas Cruze  
**Phone Number:** 859-272-3944  
**Contract Executed:** No

**Describe their affordable housing experience that is similar in size, scope and target population to the currently proposed. Include the current status of these similar projects.**

Lexington Rescue Mission has a very experienced development team including Architecture Etc.'s Thomas Cruze, who has been president since he started the firm in 1996. In 2015, Architecture Etc. designed \$50 million in construction. Its previous projects include: 1) Garden Homes at Liberty Ridge Senior Housing in Lexington, KY, 46 units of senior housing completed in 2015 for \$6.9 million; 2) Gainsborough Farm in Versailles, KY, 16 bed room / bathroom addition completed in 2000 for \$1.5 million; 3) Friendship Towers at Sayre Christian Village in Lexington, KY, 100 units completed in 1987 for \$6 million.

**Describe the selection process for the members of the development team - both for those selected and those to be selected:**

Architecture Etc.'s architect, Thomas Cruze, was recommended by a board member to Lexington Rescue Mission based on previous work completed. Lexington Rescue Mission's staff interviewed Thomas Cruze and was satisfied with his approach and experience. Lexington Rescue Mission decided to partner with Thomas Cruze.

Lexington Rescue Mission was referred to Capital for Compassion by several other organizations within the Association of Gospel Rescue Missions. The other organizations had received AHP grants for their projects due to the efforts of Capital for Compassion. Based on the recommendations, Lexington Rescue Mission decided to partner with Capital for Compassion.

LCM Construction was the contractor on the previous renovation projects at Lexington Rescue Mission. Due to satisfaction with the high quality work, Lexington Rescue Mission decided to partner again with LCM Construction.

**Disclosure**

**Has the sponsor or any member of the development team been barred for participation by any funder, or have any outstanding compliance or performance issues with any FHLBank or any other funding source?**

No

**Is the sponsor or any member of the development team involved in unresolved fair housing issues or investigation?** No

**Are there any relationships between parties involved in the project (sponsor, members of the development team, member bank, etc.) that could pose a conflict of interest or potential conflict(s) of interest?**

Yes

**Is there any relationship or conflict of interest between sellers of the properties involved in this project and the sponsor or any member of the development team?** No

**Market Study**

**Has the project completed a formal market study prepared by a certified independent company?** No

**Describe the market need and demand for the proposed units in the project:** As this project creates less than 20 new units, a market need is described here in lieu of a formal market study.

The primary market is the City of Lexington and Fayette County areas. The target population is homeless, special needs,

and low-income persons. Because Lexington Rescue Mission has a transitional housing facility for homeless persons to enter into their programs, many of the residents will move from that location and residents are expected to have an income at move-in. The Continuum of Care Point-In-Time Homeless Subpopulation Study for Lexington and Fayette County published October 29, 2015 identified 1,258 homeless persons with 39 not sheltered in any way. For persons above 18 years old, 565 persons were in emergency shelter and 444 persons were in transitional housing. Lexington Rescue Mission understands that these numbers are severely low due to the homeless using vacant and abandoned houses, putting themselves at risk with the lack of basic utilities such as heat.

The project includes the creation of 13 units for homeless persons. Lexington Rescue Mission has six persons on their waiting list.

There are 1,244 one-to-four family units in the census tract and 908 renter occupied units. These units are outside the reach of the people who are will live at Lexington Rescue Mission. Most are individuals for whom an efficiency or one-bedroom apartment would be very expensive, until they gain employment and resolve outstanding debts. In fact, the Lexington Housing Authority has closed the Housing Choice Voucher program waiting list and the application process for Section 8 has been suspended.

Many of the subsidized rental options are for the elderly or large families. Omni Place Apartments, 3.2 miles away, offers studio apartments for \$495 per month. A more affordable option would be St. James Place, two miles away, offering studio apartments for \$339 per month. 335 Old Virginia Ave, 3.2 miles away, offers 1 bedroom apartments for \$665 per month. Matador North Apartments, 4 miles away, offers 2 bedroom apartments for \$580 per month. Critically, none of these options include the case manager, along with the social services found at Lexington Rescue Mission which is essential for a successful transition from homelessness.

In fact, the US Census Bureau identifies 53,228 units paying rent within Fayette County. Of these, only 2,730 units or 5.1% pay less than \$300 per month. Further, 26,799 rental households, which is 51.7% of renters, pay more than 30% of their income in rent.

When the renovations are complete, there will be 13 new units. There are 565 persons in emergency shelter and it would take a capture rate of 2.8% to fill the project site. Due to the nature of the homeless population, most of the growth and increased demand will occur in the winter months of the year. So the absorption period of the new residents is expected to be six months starting in July 2017.

**Readiness to Proceed**

**Start of construction date:** 04/14/2017

**End of construction date:** 10/27/2017

**Lease-up or sales 100% complete:** 04/27/2018

**Expected AHP draw date:** 10/27/2017

**What percentage of properties required for the project are under control by sponsor/developer?** 100 %

**Does the project comply with current zoning?** Yes

**Summary supporting the project's zoning compliance:** The project site is zoned P-1 (Professional Office). The P-1 zone allows a community center as a principal permitted use. The project will provide living space for the transitional living program which is permitted as part of a community center. This is "by right" and does not need a variance or special use permit. A zoning letter has been provided by the City of Lexington confirming the use is legal and conforming.

**Does the project involve any known environmental issues?** Yes

**Date remediation will be complete:** 05/19/2017

**Describe how the environmental assessment was conducted:** An Asbestos Survey Report was completed on July 18,

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2016 by Air Source Technology, Inc. Sixteen samples were taken from the project site and evaluated by Environmental Hazards Services, LLC Laboratories.

Also, a Phase 1 Site Environmental Survey was completed on July 14, 2016 by Shield Environmental Associates, Inc.

**Describe the extent of the environmental issue, remediation plan and the cost to remediate:** Air Source Technology, Inc. inspected the existing buildings at the project site on July 18, 2016 and provided a cost estimate for remediation associated with the rehabilitation project.

12"x12" stone pattern floor tile and mastic \$800.00

12"x12" white floor tile mastic \$800.00

HVAC flexible connector \$800.00

Drywall \$6,700.00

Total cost of asbestos remediation \$9,100.

Please see the exhibits Phase 1 Summary.pdf and Environmental Issues.pdf.

# EXHIBIT B



444 Glen Arvin Ave. • P.O. Box 1050 • Lexington, KY 40588

Phone: (859) 381-9600 • Fax: (859) 381-9603 • [www.lexingtonrescue.org](http://www.lexingtonrescue.org)

6/21/2016

Mr. Charlie Lanter  
Director  
Office of Homelessness Prevention and Intervention  
Lexington-Fayette Urban County Government  
101 E. Vine Street, Suite 175  
Lexington, KY 40507

Dear Charlie,

I am writing to let you know about a new project we are embarking upon and to request financial support from the Office of Homelessness Prevention and Intervention for this project.

According to the *Report of the Mayor's Commission on Homelessness*, there is an unmet need of 350 transitional housing beds in our community for people graduating from substance abuse recovery programs. In addition, the report cites a need for transitional housing and employment support for ex-offenders who are discharged from jail and returning home to our community.<sup>1</sup> Since the publication of this report in January 2013, these needs have become even more pressing. The abuse of opioids, particularly heroin and fentanyl, has skyrocketed across the state, and especially in Fayette County where the overdose rate has risen by 63% in two years – from 86 deaths in 2013 to 141 in 2015.<sup>2</sup> To help address this problem, the Kentucky General Assembly passed Senate Bill 192 in March, known as “The Heroin Bill,” which provides new funding to make drug treatment more widely available to those seeking help. The state’s addiction treatment system will receive an immediate \$10 million boost and \$24 million annually.<sup>3</sup> While this funding will expand access to critical treatment, graduates of these recovery programs will need transitional housing that is safe, affordable and supportive to ensure they maintain sobriety, find jobs, and make a successful transition to independent living.

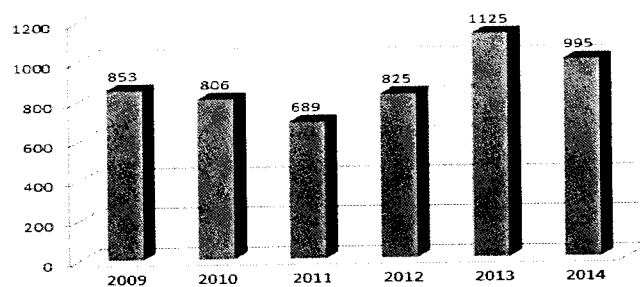
At the same time the need for transitional housing for those in recovery is growing, the number of ex-offenders returning home is on the rise. According to the Kentucky Department of Corrections, Fayette County is second only to Jefferson County in the number of ex-offenders returning home, with an average of 882 men and women reentering our community annually (see chart below). These newly released inmates often lack the resources they need to obtain safe, affordable housing, find stable employment, and rebuild relationships with their family. Without transitional housing, support and guidance, they are likely to fall into the same cycle of criminal behavior and go back to prison.

<sup>1</sup> Mayor's Commission on Homelessness. (January 2013). For the Greater Good. 50-51, 56-57.

<sup>2</sup> Tilley, John C., Ingram, Van. (2015). 2015 Overdose Fatality Report. *Kentucky Office of Drug Control Policy*. 8. Retrieved from <http://odcp.ky.gov/Reports/2015%20KY%20ODCP%20Overdose%20Fatality%20Report%20Final.pdf>

<sup>3</sup> The Heroin Epidemic. *Kentucky Office of Drug Control Policy*. Retrieved from <http://odcp.ky.gov/Pages/The-Heroin-Epidemic.aspx>

**Number of Ex-offenders Re-Entering Fayette Co.**



Lexington Rescue Mission sees these needs first-hand. Our transitional home, The Potter's House, provides housing for men who graduate from recovery programs, leave incarceration, or need additional support as they make the transition from homelessness to independence. Over the last two years, as we have expanded the scope of our ministry with inmates at Fayette County Detention Center and grown our employment services, we have seen the demand for beds at our residential facility far exceed our capacity. We only have 14 beds at the Potter's House, which is located at 649 N. Limestone, and we consistently have every bed filled or committed with more than 20 applicants on the waiting list.

Given this need, Lexington Rescue Mission plans to acquire and renovate a building at 629 N. Broadway that would provide an innovative and sustainable solution to this problem. This two-story, 7,520 square-foot property will house a community center on the ground floor that provides on-site job training and placement as well as re-entry support services, and on the second floor, it will provide an additional 20 beds for men in need of transitional housing. The average resident stay is four months, which means that with 20 additional beds, we could serve approximately 60 more people each year.

The ground floor will house our Jobs for Life program, where job-seekers receive five weeks of daily training on how to find, obtain and maintain lasting employment. Once they complete the program, Jobs for Life graduates are eligible to enroll in our Advance Lexington staffing service, which contracts with local businesses to provide temporary work for hard-to-place job-seekers and assists them in finding permanent employment. It will also house our Re-Entry Services, which provides life-skills classes, case management and support (including obtaining birth certificates, IDs, clothing, assistance with transportation, etc.) to ex-offenders.

The men who live on the second floor of this facility will receive support to help them make a successful transition from homelessness to independent living. Upon intake, they will meet with a case manager, who will help them develop a personal transition plan that includes: finding employment, creating a budget, paying off debts, saving money, restoring broken family relationships, and obtaining permanent housing. Residents will meet weekly with their case manager to track progress on their goals and help them overcome barriers to success. Each resident will be held accountable for their sobriety through random drug and alcohol tests, and they must attend weekly meetings with a support group and their recovery sponsor.

In addition to *expanding our capacity* to serve more residents, this facility will *reduce barriers* to employment and help residents overcome common challenges in re-entry since we will provide our Jobs for Life, Advance Lexington, and Re-Entry services on-site. Currently, these are located in a separate rental facility on North Forbes Road. This innovative solution is truly unique in its approach of combining transitional housing with comprehensive employment training, a staffing service, and specialized re-entry support for ex-offenders.



On June 1, we signed a contract for the property at 629 N. Broadway, which is zoned P1, for a sale price of \$380,000. We anticipate spending \$275,000 in renovations and \$100,000 in soft costs for a total project cost of \$755,000. We are applying for a \$550,000 grant from the Federal Home Loan Bank through PNC, and we expect to be notified of that award on December 15, 2016. The sale is pending this award. We have already set aside \$90,000 from our General Operating Fund and will request \$60,000 in Community Development Block Grant (CDBG) funds from the city this fall. We request the remaining \$55,000 from the Office of Homelessness Prevention and Intervention to fund renovations to the facility.

Property Acquisition	\$380,000
Property Renovations	\$275,000
Architect	\$45,300
Capital for Compassion	\$31,000
Bank interest on construction loan	\$18,000
Environmental Assessment & Asbestos Inspection	\$3,500
Site Survey	\$1,000
Appraisal	\$1,200
<b>TOTAL EXPENSES</b>	<b>\$755,000</b>
Federal Home Loan Bank	\$550,000
General Operating Fund	\$90,000
Community Development Block Grant	\$60,000
Office of Homelessness Prevention & Intervention	\$55,000
<b>TOTAL REVENUE</b>	<b>\$755,000</b>

The Office of Homelessness Prevention and Intervention can be assured that this project is sustainable. Lexington Rescue Mission has a broad base of support in the community, with 7,434 donors contributing \$1,255,916.30 in the last 12 months to support the ongoing operations of the ministry. Over the last five years, our donor revenue has grown by an average of 7% each year. Additionally, our Advance Lexington staffing service, which employs Jobs for Life graduates, will help fund the operating costs of our employment program through contracts with local employers. Also, residents living in the facility will pay rent once they are employed, which is calculated on a sliding scale, based on income to ensure affordability. This will also help sustain the ongoing operations of the transitional housing.

I respectfully request a one-time grant from the Office of Homelessness Prevention and Intervention's Innovative and Sustainable Solutions Fund for \$55,000 to pay for renovations on this facility that will provide an innovative and sustainable solution to homelessness for men who are recovering from substance abuse, leaving incarceration or need additional support to move from homelessness to independent living. Thank you for your consideration of this request.

Sincerely,



Jim Connell  
Executive Director