



Lexington-Fayette Urban County Government

200 E. Main St
Lexington, KY 40507

Legislation Text

File #: 0162-16, **Version:** 1

A Resolution endorsing or authorizing the formation of multiple legal entities related to the Historic Courthouse Project in order to maximize tax credits, authorizing the Mayor, on behalf of the Urban County Government and the Urban County Government Public Facilities Corp. to execute a Long Term Lease Agreement for the property, and on behalf of the Urban County Government, to execute an Economic Development Loan Agreement and any other necessary related documents in an amount not to exceed \$12,000,000, expressing the commitment of the Urban County Government to contribute a total amount of \$22,000,000 towards the project subject to the meeting of certain conditions, and authorizing the Mayor to take any additional actions necessary to fulfill the intent and purpose of this Resolution. [Dept. of Law, Graham]

Authorization to endorse both the formation of the legal entities required to utilize state and federal historic tax credits for the Historic Fayette County Courthouse Rehabilitation Project and a future economic development grant of \$22 million. It will also authorize the long-term ground lease of the property and a short-term loan for the project in an amount not to exceed \$12 million. Funds are Budgeted. (L162-16) (Barberie/Graham)

Budgetary Implications [select]: Yes

Advance Document Review:

Law: Yes, Completed by Dave Barberie, 02/18/2016

Risk Management: No

Fully Budgeted: Yes

Account Number: 2606-133002-0001-90511

This Fiscal Year Impact: \$12,000,000.00

Annual Impact: \$

Project: OLD_COURT_2016

Activity: RENOVATE

Budget Reference: 2016

Current Balance: \$19,424,000.00

WHEREAS, the Lexington-Fayette Urban County Government finds it to be in the public

interest to restore, rehabilitate and adaptively re-use the historic Fayette County Courthouse (the “Historic Courthouse Project”) located at 215 W. Main Street in downtown Lexington, Fayette County, Kentucky; and

WHEREAS, the Historic Courthouse Project will help preserve the history and architecture of Lexington and Fayette County, enhance the economic development of downtown Lexington, assist in elimination of blight, and reinforce and promote additional redevelopment activities in downtown Lexington and Fayette County; and

WHEREAS, the Lexington-Fayette Urban County Government has determined that it is in the public interest to provide economic development assistance to the Historic Courthouse Project in the form of an interim development loan and an economic redevelopment grant; and

WHEREAS, the Commonwealth of Kentucky is providing enhanced historic preservation tax credits for such qualifying projects as the Historic Courthouse Project and the Internal Revenue Code of 1986, as amended, provides federal income rehabilitation tax credits for such qualifying projects as the Historic Courthouse Project; and

WHEREAS, in order to maximize the potential benefits of these tax credits a number of different entities must be created.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT:

Section 1 - That the Preamble to this Resolution be and hereby are incorporated by reference as if fully set out herein.

Section 2 - That the Lexington-Fayette Urban County Government be and hereby endorses or authorizes the following actions related to the Historic Courthouse Project, its preservation, and the maximization of potential tax credits:

(a) The formation of Historic Courthouse Square Development, Inc., a charitable, nonprofit

corporation that will encourage, support, and promote the cultural history of the historic Fayette County Courthouse, the development of the Project, and the economic redevelopment of the area surrounding the Project in downtown Lexington (the "Nonprofit Corporation"); and

(b) The formation by the Historic Courthouse Square Development, Inc., of a wholly-owned subsidiary, Historic Courthouse GP, Inc., a Kentucky corporation that will in turn form and serve as the general partner (the "General Partner") of Historic Courthouse, LLLP, a Kentucky limited liability limited partnership (the "Partnership") with the interim limited partner of the Partnership being the Lexington Downtown Development Authority, Inc., until such time as one or more long-term investor limited partners are admitted to the Partnership.

Section 3 - That the Mayor, on behalf of the Lexington-Fayette Urban County Government and the Lexington-Fayette Urban County Government Public Facilities Corporation, as master landlord, be and hereby is authorized to execute the Historic Courthouse Lease, in substantially the material form of the lease which is attached hereto, with the Partnership, as master tenant, for the long term leasing of the property, and pursuant to which the Partnership will rehabilitate for adaptive re-use and operate the Project utilizing federal and state historic rehabilitation tax credits and equity capital provided by the General Partner and one or more investor limited partners (the "Future Limited Partners");

Section 4 - That the Mayor, on behalf of the Lexington-Fayette Urban County Government, be and hereby is authorized to enter into an economic development loan Agreement and any necessary related documents with the Partnership in an amount not to exceed Twelve Million Dollars (\$12,000,000.00) (the "Development Loan") to fund the development of the Project until such time as the General Partner and the Future Limited Partners contribute equity capital to the Partnership for the Project, subject to the loan and related documents being approved in form and content by Commissioner of Finance and the Commissioner of Law.

Section 5 - That amount, not to exceed the sum of \$12,000,000.00, be and hereby is approved for payment to the appropriate legal entity(s), from account #2606-133002-90511 pursuant to the terms of the loan Agreement.

Section 6 - That upon the preliminary determination by the Internal Revenue Service that the Nonprofit Corporation qualifies as a tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code, and at such time as the Partnership is prepared to accept the capital contributions from the General Partner and the Future Limited Partners and repay the Development Loan, the Lexington-Fayette Urban County government be and hereby expresses its willingness to contribute Twenty-Two Million Dollars (\$22,000,000.00) to the Nonprofit Corporation in the form of an economic redevelopment grant (the "Economic Redevelopment Grant"), under the terms of which the Nonprofit Corporation is to capitalize the General Partner with the proceeds of the Economic Redevelopment Grant and the General Partner is to capitalize the Partnership in like amount for the redevelopment of the Project.

Section 7 - That the Mayor be and hereby is authorized to transfer or assign all of the interests, rights and obligations of the Lexington-Fayette Urban County Government in any and all Agreements or contracts related to the Project to the appropriate entity in furtherance of the performance of the Project.

Section 8 - That the Mayor be and hereby is authorized, on behalf of the Lexington-Fayette Urban County Government and to the extent allowable by law, to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, instruments and certificates to effectuate or carry out the purposes and intent of this Resolution.

Section 9 - That the Clerk of the Lexington-Fayette Urban County Council be and hereby is directed to promptly provide written notification of any change to this Resolution to the Nonprofit Corporation, the General Partner, the Future Limited Partners, and the Partnership.

Section 10 -That this Resolution shall become effective on the date of its passage.

PASSED URBAN COUNTY COUNCIL:

MAYOR

ATTEST:

CLERK OF URBAN COUNTY COUNCIL