

SUMMARY REVIEW OF AGENDA ITEMS FOR THE MDHA BOARD OF COMMISSIONERS

Sept. 14, 2021

5. Approval of MOU with Service Employee International Union

Approval is requested to enter into a Memorandum of Understanding (MOU) with Service Employees International Union (SEIU), to be effective from June 11, 2021 through September 30, 2023. An MOU is developed every 3 -5 years to create a partnership between MDHA and SEIU for labor representation.

6. Approval of Fairgrounds Site C PILOT Agreement

Market Street Enterprises plans to acquire property located at 300 Rains Avenue to construct a 337-unit mixed income housing complex, in which 120 units will be financed with an allocation of 4% Low Income Housing Tax Credits (LIHTCs) from the Tennessee Housing Development Agency (THDA). The tax credits will result in an equity amount of \$18,347,948. When completed, the LIHTC component of the development will consist of 38 studio units, 68 one-bedroom units, 14 two-bedroom units, and 5 three-bedroom units. 100% of these units will be subject to income and rent restrictions, the average income restriction will be no greater than 60% of area median income (AMI). Furthermore, the developer has pledged to deliver 40 additional affordable units that will be income restricted at 60% AMI, these 40 are not a part of the LIHTC allocation and will not be included in the PILOT.

Staff is recommending approval of a PILOT that would require Developer to make a total initial payment of \$18,000 in lieu of property taxes after the project is placed in service. The PILOT would increase by 3% annually over the 10-year life of the agreement. This PILOT payment was based on review of the site's projected base year taxes, development budget, operating pro forma, and debt obligations. MDHA estimates this to be a tax abatement of approximately \$204,329 for the first year the property is placed in service. This would leave MDHA's annual abatement capacity at \$563,612. The current uses of the site generate \$0.

7a. Cherry Oak Apartments (formerly Boscobel IV, L.P.), Construction Manager GMP, adjusted Architect's Fee, and Owner Contingency

In accordance with MDHA's procurement policy all contracts over \$1,000,000 in value require the approval of MDHA's Board of Commissioners. Hardaway Construction has submitted a Guaranteed Maximum Price for the Cherry Oak Apartments project of \$24,545,125.39

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based on 100% Construction Documents created by Smith Gee Studios and their consultants. At its meeting on November 12, 2019, the Board approved Hardaway Construction Company, as the Construction Manager at Risk for Cherry Oak Apartments (formerly Boscobel IV). This project will construct 96 units (45 PBRA). Board approval is requested for the Executive Director to execute all documents for the Cherry Oak Apartments Guaranteed Maximum Price. Additionally Board approval is sought for \$236,863.00 of additional Architect's fees, an Owner Contingency of \$1,147,431.34 (4.7% of construction cost), and a total project budget of \$32,114,840.00.

7b. Approval of the FHA Loan Refinancing for 10th & Jefferson

It is recommended that the Board of Commissioners adopt the attached Resolution which authorizes MDHA 10th & Jefferson, LLC to refinance the FHA 221(d)(4) loan on 10th and Jefferson and authorize the duly designated officers of the LLC to execute such documents as may be necessary to close the loan with the First American Capital Group.

7c. Approval of the Agency's Operating Budgets for Fiscal Year October 1, 2021 and Calendar Year Beginning January 1, 2022.

Board approval is requested for the FY 2021-2022 budgets for the Central Office Cost Center (COCC), Commercial properties, the Project Based Rental Assistance (PBRA) properties, the Freeman Webb managed properties, Rental Assistance programs, and the Community Development grants. A 2.0% across the board salary increase is included in the budgets. The budgets were reviewed and recommended by the Finance & Audit Committee at the August 10th meeting.

The COCC \$12,772,090 2022 budget will be funded by management and developer fees, Rolling Mill Hill ground lease payments, with the remainder funded from surplus cash generated from the Commercial leasing and MDHA properties.

The 5th & Church parking garage and other commercial activities are projecting a positive cash flow of \$792,233.

Freeman Webb manages eight properties owned by MDHA, therefore the budgets are prepared by their management team. Collectively the positive cash flow from these properties totals \$1,377,303.

The Project Based Rental Assistance (PBRA) properties have been prepared using HUD approved contract rents assuming a 2.7% Operating Cost Adjustment Factor (OCAF) for each HAP contract. The projected cash

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flow of \$3,816,567 assumes eligible capital expenditures and repairs will be funded from the property replacement reserve escrows.

The breakeven operating budgets for the Rental Assistance Department, and Community Development are presented with the second year funding for additional CAREs Act administrative and program costs.

The total projected cash flow for 2022 of \$5,986,102 will be utilized as a contribution for the strategic equity funds to support our Envision development plan.