

**HOUSING AUTHORITY OF NEW ORLEANS
BOARD OF COMMISSIONERS
REGULAR MEETING
SEPTEMBER 18, 2012**

RESOLUTION NO. 2012-35

WHEREAS, the Housing Authority of New Orleans (HANO) and St Bernard Redevelopment, LLC entered into a Service Agreement to develop Columbia Parc Phase III, a 120 unit senior housing development located at 1361 Canton Street, which has been approved by HANO, FEMA and the U.S. Department of Housing and Urban Development as part of the St Bernard Redevelopment project; and

WHEREAS, the Columbia Parc Phase III project budget included \$500,000 for the installation of solar panels to offset the cost of long term common area electricity usage; and

WHEREAS, St Bernard Redevelopment LLC identified two sources of additional funding to offset the budgeted \$500,000 cost through the Louisiana State Tax Credit for Solar and Wind Energy Systems for Residential Property Program and the U.S. Dept. of Treasury Section 1603 Renewable Energy Grant, which collectively are anticipated to generate 80% of cost of the system which will reduce the overall cost of the solar panels; and

WHEREAS, the tax credit requires a for-profit entity to own the equipment during the credit period, St Bernard Redevelopment, LLC will initially own the solar panels and lease them to HANO (the building owner) for a term of 7 years, at the end of lease term HANO will own the array, and HANO will lease the roof space occupied by the solar panels to St Bernard Redevelopment, LLC for the same period; and

WHEREAS, in order to memorialize the agreements and take advantage of all sources, certain documents must be executed including a the Loan Agreement covering the cost of materials and installation of the solar array, a Solar Lease/Option Purchase Agreement, a Roof Lease and Access Agreement, a Note, which supports the Loan Agreement, a Solar Energy Tax Credit Agreement which gives all rights of tax credits and grants funds to St Bernard Redevelopment, LLC and a letter of intent to exercise the Purchase Option. That final loan amount is anticipated to be no greater than \$400,000;

BE IT THEREFORE RESOLVED, that the Board of Commissioners of the Housing Authority of New Orleans authorizes the Administrative Receiver to enter into a Loan Agreement with St Bernard Redevelopment LLC not to exceed \$400,000 to finance the installation of the solar panel system and to authorize the Administrative Receiver to execute any and all documents required for the solar panel financing pursuant to federal and state law.

Executed this 18th day of September, 2012

APPROVAL:



**DAVID GILMORE,
ADMINISTRATIVE RECEIVER
CHAIRMAN, BOARD OF COMMISSIONERS**



Housing Authority of New Orleans

September 18, 2012

MEMORANDUM

**TO: David Gilmore
Administrative Receiver
Chairman, Board of Commissioners**

**FROM: Desiree Andrepont
Director, Real Estate Planning and Development**

**Maggie Merrill
Senior Advisor to the Administrative Receiver**

**RE: Approval for Agreements for St Bernard Redevelopment LLC for the
Financing of Solar Panels at Columbia Parc Phase III (Columbia Parc
Senior)**

The Housing Authority of New Orleans (HANO) and St Bernard Redevelopment, LLC entered into a Service Agreement to develop Columbia Parc Phase III which is a 120 unit senior housing development. This agreement has been approved by HANO, FEMA, and the U.S. Department of Housing and Urban Development (HUD) as part of the St Bernard Redevelopment project. The Columbia Parc Phase III project budget includes the installation of solar panels to offset the cost of electricity usage for long term operations. Because the scope and cost of the system was not definitively known at the time of loan closing, the budget reflected an allowance of \$500,000 for the solar panels to be a direct project cost subcontracted through the general contractor for the project. Since the time that the budget and project financing was approved, St. Bernard Redevelopment LLC (the procured developer and construction manager for this phase of the project, "Developer") has proceeded to design and scope out a solar panel array which is anticipated to cost \$368,000 resulting in a significant cost reduction.

The developer has identified two sources of additional funding for the system which are the Louisiana State Tax Credit for Solar and Wind Energy Systems for Residential Property Program and the U.S. Dept. of Treasury Section 1603 Renewable Energy Grant Program. These two programs collectively are anticipated to generate 80% of the cost of the solar panel system. In order to gain the benefits of these incentives, the Developer has proposed a legal/financing structure which would provide that the Developer initially own the solar panels and lease them to HANO (the owner of the building) for a term of approximately 7 years, or such shorter term as would be required to meet the terms of the incentive programs. At the end of the 7 year lease term, HANO would own the array which has a 25 year warranty and an

estimated 40 year useful life. Consultants to St. Bernard Redevelopment have estimated that there will be an annual cost savings of approximately \$5,816.67 for energy used in the common areas of the facility. At the end of the 7 years since HANO would own the system, it would continue to accrue whatever savings were generated from lower energy costs.

The Developer has requested that, as a consideration for their arranging the above structure to the advantage of HANO, they receive a fee of 20% of the amount of the credit and grant raise. This fee would be contingent on actual receipt of said credits. The anticipated amount, assuming a credit raise of \$294,400 would be \$58,920. Since this amount of the credit would not be available to write down the cost of the project, the total cost of the system to HANO provided that the full 80% of the energy credits are realized would be \$132,520 (\$73,600 +\$58,920). A 2% financing fee payable to Make It Right Solar, Inc. for arranging and accessing the credits is already included in the \$368,000 anticipated cost of the project. Legal fees to structure this transaction would be part of the original project budget legal line item.

The construction of the 120 unit senior building is now 54% complete and the solar panels are ready for installation. Board of Commissioners approval to execute loan documents and any and all other documents to utilize the Louisiana State tax credit and Federal grant program to reduce installation costs of the solar panel system and reduce long term energy operating costs is requested.