



November 2, 2020

Stephanie,

Thank you and the selection committee for your follow up and the panel's continued interest. The Paristown Green team is happy to further clarify the budget/financing questions you shared (restated below).

10/30/2020 We would like greater clarification from Underhill regarding their \$12M gap (\$8.97 as outlined in the proposal plus \$1.57 for the LMHA building). What are the opportunities to reduce that gap? How do they propose or envision that gap would be filled? Are there specific programs or incentives that they think could fit?

10/31/2020 Would a phased development plan help to mitigate some of the gaps or at least spread them out over a longer development period?

Have you explored other options to adaptive reuse of the police building that increase your ROI?

Restatement of Financial Request of Metro:

Our budget gap is \$12.098M. This is the combination of \$8.973M development gap plus \$3.125M environmental costs. This combined budget gap includes a \$1 purchase price for the UGC subject site.

In our submission to the city dated July 8, 2020 our total budget was \$58,895,921. Included in the 58M was the \$1,570,000 purchase price of the site. In the chart we requested a credit of \$1,569,999 with a net purchase price of \$1.00. If it can assist the city in its presentation of the project or to access financing incentives, we can work with the city for the best presentation.

Cost Savings Potential:

The Paristown Green total ask is \$12.098M. If awarded the redevelopment project of the Urban Government Center site by Louisville Forward Paristown Green would work with Louisville Forward to minimize taxpayer subsidy and maximize value to the community. Paristown Green presents the following as actions and potential opportunities to help address the project finance gap:

- **Phased Funding of Subsidy:**
Paristown Green anticipates that Metro Louisville Forward's \$12.098m subsidy participation need not be all available upfront. We could implement the project with structured tranches of funds based on needs per project phase and demonstration of progress. As long as the final leveraged gap filling amount is both pledged and encumbered to complete the project, Paristown Green could move forward with a structured agreement to just draw down portions of the subsidy in stages. Paristown Green will work with Louisville forward to allocate the budget subsidy across budget years according to the final project schedule. This should reduce budget stress on any particular fiscal cycle.
- **Value Engineering:**
Value engineering of all redevelopment costs (site preparation, engineering, construction, and environmental) is a strategy we regularly deploy. We have already completed "budget truthing" our initial estimates by consulting a deep bench of team member experts to inform a realistic budget

to accomplish the plan's implementation. We engaged Richard Banta of Banta Consulting, who has previously served the city on projects including the redevelopment of Colonial Gardens. Banta has a track record demonstrating budget conscience development review and cost savings, and efficient construction scheduling outcomes. We would welcome our team member Richard Banta to work collaboratively with Louisville Forward and Paristown Green to further identify and fine tune cost savings opportunities in the construction and site development components of the project. Trusted environmental professionals have also reviewed the asbestos inspections and abatement cost assumptions provided by Metro Louisville Forward. We found these to be viable estimates. Our team members have a strong record of diligently abating conditions strictly adhering to requirements while maximizing value

- **Contingency Funds Budgeted:**

Significant community input directed the concept and plan that we have proposed, and we intend to perform the project proposed to the community as the preliminary budget has outlined. Our budgeting efforts did include contingency costs for unknowns. Paristown Green would certainly be willing to share with Metro the benefits of savings gained by not having to tap these contingency funds. Our proposal included a Community Benefits Agreement and a means to finance the CBA coming from savings gleaned through project cost savings. We could structure the Metro subsidy such that component percentage of the value savings generated in the project through not tapping contingency fees, or through value engineering could be shared with the city. Perhaps this could be shared as a direct community benefit in the form of funding final elements of the CBA.

- **Alternate Sources of Funding:**

If awarded the project we would conduct a comprehensive review of available financing programs in concert with Metro Louisville Forward and chart a path that best fits the city's budget and the applicable requirements of specific incentives and programs. Potential resources beyond the assumed LIHTC and Historic Tax Credit benefits could include:

- EPA Revolving Loan Fund's linked sub-grants and loans, and the potential for additional RLF allocation from EPA Region 4;
- TIF financing: Whether local only or state & local, we would welcome conducting a collaborative analysis of options with Louisville Forward and outside public finance specialists. We have recently initiated discussions with advisers at Baker Tilly to explore this possibility in the event that Louisville Forward finds this a viable option to pursue.
- Metro's Cool Roof Program;
- EPADs Program (if applicable per Site Energy Plan)
- Local charitable programs and financial assistance
- Social Equity Financing – We will task our CDFI partner IFF.org to identify any and all financial incentives they could help the project access due to the affordable housing, multigenerational nature, and community food system benefits anticipated in this project.
- Community Equity Financing- partnering with community members with project bonds may offer community residents themselves to financially benefit in the success of this project.

- **Adaptive Reuse of Former Nursing – Police Building:**

Housing is the best use for this building, it lays out well for this adaptive reuse. Housing is responsive to the RFP and compliments the redevelopment and the neighborhood. Graduate students may not pay high market rents, however, rents per square foot will be attractive with smaller units and with double occupancy units. These tenants will make fine neighbors in our multi-generational housing community. There will be opportunities for these graduate students (nursing, physical therapy, and sports management majors) to work-study with senior housing, daycare, Flex-Appeal Physical Therapy, Kindred Healthcare and Highlands Community Ministry.



Bellarmine University is willing to commit to master lease this space which can assist with financing.

In Conclusion:

The Paristown Green proposal is most responsive to the Louisville Forward SOI and to the needs related by the surrounding neighborhoods expressed in public input over the last several years.

Our plan includes a request of city financial investment for approximately 20% of the total proposed project. In return, the City of Louisville will receive a project implemented by the most inclusive project team that provides:

- the most community benefits;
- the fastest redevelopment timeframe;
- the most sustainable redevelopment;
- the least negative environmental externalities;
- a removal of ongoing costs to the city for this site;
- growth in surrounding real estate value;
- improved safety; and,
- increased tax revenues for years to come.

We welcome further inquiry, and the chance to implement this budget in partnership with Louisville Forward.

Sincerely,

Jeffery A. Underhill