

**HOUSING AUTHORITY OF NEW ORLEANS
BOARD OF COMMISSIONERS
SPECIAL MEETING
September 4, 2024**

RESOLUTION NO. 2024-22

WHEREAS, the Housing Authority of New Orleans ("HANO") is the ground lessor pursuant to ground leases by and between HANO and each of the owners of the housing projects known separately as Savoy I, Savoy II, Abundance Square, and Treasure Village (collectively, "Desire Properties");

WHEREAS, HANO is a subordinate lender and provider of rental assistance to the Desire Properties under Sections 8 and 9 of the Housing Act of 1937, as amended; and

WHEREAS, the Desire Properties were developed and financed under the public housing mixed finance development program that allows private owners to develop and own public housing in a housing development that contains public housing and other types of rental housing and permits public housing to be financed in part by the federal Low Income Housing Tax Credits ("LIHTC") with approval from the U.S. Department of Housing and Urban Development ("HUD");

WHEREAS, Treasure Village and Abundance Square have satisfied the LIHTC compliance period and HANO is the only lender with mortgages on those properties ("HANO Loans");

WHEREAS, Savoy I and Savoy II ("Savoy Properties") were financed with bonds issued by the Industrial Development Board of the City of New Orleans, Inc. ("IDB"), as well as loans from Wells Fargo N.A. and the Louisiana Housing Corporation ("LHC"), each of which are secured by leasehold mortgages on the Savoy Properties;

WHEREAS, in May of 2024, the general partners of the Savoy Properties informed HANO that (a) they abandoned their interests in the owner-entity partnerships effective immediately because they could not pay accumulated debts to their related property management company, Michaels Management-Affordable, LLC ("Management Company"), of nearly \$1.5 Million and (b) the Management Company would cease providing services to the Savoy Properties on August 29, 2024; and

WHEREAS, in June of 2024 the general partner of Savoy I informed the IDB that it will not pay the PILOT payment due under the sub-sublease with the IDB;

WHEREAS, the (a) failure to pay the PILOT payment is a default under the sub-sublease with the IDB, which in turn triggers defaults under other transactional documents including the ground lease with HANO, and (b) withdrawal of the general partners from the owner partnerships is a default under the Regulatory and Operating Agreements with HANO and the Agreements not to Alienate for the benefit of the U.S. Department of Housing and Urban Development ("HUD") for the Savoy Properties;

WHEREAS, HANO and IDB each have rights under the transactional documents to initiate legal proceedings against the owners of Savoy I and Savoy II ("Savoy Owners") in response to the defaults; however, such proceedings are time-consuming and do not address the immediate

need to ensure that the residents of the Savoy Properties have uninterrupted management services;

WHEREAS, the IDB facilitated the construction and rehabilitation of hundreds of public and affordable housing units in New Orleans through its bond and PILOT program, including the Savoy Properties; however, the IDB is not established to manage defaulting properties;

WHEREAS, HANO has a significant interest in preserving services for the residents of the Desire Properties and is a provider of affordable housing it has the capacity to operate the Desire Properties ;

WHEREAS, the general partners and the Management Company for Abundance Square and Treasure Village (the "Abundance and Treasure Owners") have informed HANO that they no longer wish to operate or manage those properties ("Abundance and Treasure Properties");

WHEREAS, the owners of the Desire Properties ("Desire Owners") and the Management Company agreed to extend their services to the properties until September 30, 2024, to allow time for HANO and the Desire Owners to negotiate an Interim Management and Operations Agreement to extend services until December 31, 2024;

WHEREAS, HANO staff have negotiated a term sheet with the owners of the Desire Properties, along with the Management Company, for them to continue to operate and manage the Desire properties until December 31, 2024 to give HANO time to obtain approvals from IDB, its trustee The Bank of New York, Wells Fargo, N.A., LHC, and HUD for HANO (or entities controlled by HANO) to take control of the Desire Properties effective January 1, 2025;

WHEREAS, to stabilize and restructure the Desire Properties, HANO wishes to effectuate a workout and restructuring under which:

- a. HANO would enter into an Interim Management and Operations Agreement with the owners of the Desire Properties to continue to operate and manage the Desire Properties until December 31, 2024;
- b. new entities wholly controlled by HANO would be established under Louisiana law to assume the obligations and responsibilities of each of the owners of the Desire Properties ("New HANO-Controlled Entities" or "New HANO-Controlled Entity"),
- c. the Savoy Owners would assign their interests in the ground leases and IDB sub-lease to a New HANO-Controlled Entity;
- d. for Savoy I, the owner of Savoy I ("Savoy I Owner") would assign the existing loans to a New HANO-Controlled Entity that would assume the remaining obligations under the IDB bond documents,
- e. for Savoy II, the owner of Savoy II ("Savoy II Owner") would assign the existing loans to the New HANO-Controlled Entity that would assume the remaining obligations under the IDB, Wells Fargo, and LHC documents; however in the case of the Wells Fargo loan, HANO may provide its New HANO-Controlled Entity a loan (to be secured by the property) to pay off the Wells Fargo, N.A. loan to save transactional costs;
- f. for the Abundance and Treasure Properties, the Abundance and Treasure Owners would assign their interests in the ground leases and the remaining obligations under the HANO Loans to the New HANO-Controlled Entities,
- g. HANO would seek HUD approval of (i) the transfer of ownership of the Desire Properties to the New HANO-Controlled Entities and the related assignment of existing debt obligations, (ii) the removal of the Desire Properties from the public housing

- program and replacing the public housing operating funds with Project Based Voucher assistance to provide more stable operating income to the sites, and (iii) replacing the public housing use restriction on the Desire Properties with a similar use restriction in favor of HUD requiring the Desire Properties to be devoted to affordable housing purposes for the same term as required by the public housing restrictions;
- h. the New HANO-Controlled Entities would contract with a private management company or HANO to manage the Desire Properties; and
 - i. HANO would stabilize the Desire Properties and evaluate strategies for recapitalization and renovations in the future.

THEREFORE, BE IT RESOLVED, the Board of Commissioners of HANO hereby authorizes:

1. The Executive Director to execute a term sheet with the owners of the Desire Properties, the general partners of the owners of the Desire Properties, and the Management Company to negotiate a workout of the Desire Properties to transfer the responsibilities of the Desire Properties to HANO (or the New HANO-Controlled Entities);
2. The Executive Director to execute an Interim Management and Operations Agreement to extend the current services to the residents of the Desire Properties until December 31, 2024;
3. The creation of the New HANO-Controlled Entities, the names of which are listed below, and HANO to serve as the Sole Member of each entity. The Board of Commissioners further authorizes HANO's Executive Director, Evette Hester, to execute any and all documents necessary to effectuate the establishment of the following entities:
 - a. Savoy I – Authority LLC
 - b. Savoy II – Authority LLC
 - c. Treasure Village – Authority LLC
 - d. Abundance Square – Authority LLC
4. The Executive Director and her designees to negotiate Conveyance and Settlement Agreements with the Desire Owners for the New HANO-Controlled Entities to assume the leasehold and sublease interests in the Desire Properties and assume the obligations under the existing mortgages and other obligations recorded against the Desire Properties;
5. The Executive Director and her designees, on behalf of the New HANO-Controlled Entities, to negotiate Assignment and Assumption Agreements with:
 - a. the IDB and The Bank of New York Mellon for Savoy I for the New HANO-Controlled Entity to assume all the Savoy I Owner's obligations to the IDB and the Bank of New York Mellon;
 - b. the IDB and The Bank of New York Mellon for Savoy II for the New HANO-Controlled Entity to assume all the Savoy II Owner's obligations to the IDB, the Bank of New York Mellon, LHC, and Wells Fargo N.A.; and
 - c. HANO for the New HANO-Controlled Entities to assume the obligations of the Abundance and Treasure Owners.
6. The Executive Director and her designees to negotiate on behalf of the New HANO-Controlled Entity a payoff of the Wells-Fargo, N.A. loan for Savoy II as an alternative to an Assignment and Assumption Agreement with a loan from HANO to be secured by the property;
7. The Executive Director and her designees to seek HUD approval for the transfers of the Desire Properties;

8. The Executive Director and her designees to apply to HUD to remove the Desire Properties from the public housing program to enable HANO to provide Project Based Voucher assistance to the Desire Properties and to replace the public housing use restriction with a similar low income housing use restriction enforceable by HUD.

Executed this 4th day of September 2024.

APPROVAL:



CAROL JOHNSON
PRESIDENT, BOARD OF COMMISSIONERS



September 3, 2024

MEMORANDUM

To: Board of Commissioners
President Carol Johnson, Vice President Paul Richard, Commissioner
Avery Foret, Commissioner Percy Manson, Commissioner Monika McKay,
Commissioner Kim Piper, and Commissioner Rev. Michael Raymond

From: Keva M. Landrum
General Counsel

A handwritten signature in blue ink, appearing to read "K. Landrum", is written over the printed name of the General Counsel.

Re: Request Approval to Authorize the Executive Director to Create "New HANO-Controlled Entities" or "New HANO-Controlled Entity", enter into an Interim Management and Operations Agreement, negotiate with lenders and apply to HUD to Stabilize and Restructure the Desire Properties

HANO is the ground lessor pursuant to ground leases by and between HANO and each of the owners of the housing projects known separately as Savoy I, Savoy II, Abundance Square, and Treasure Village (collectively, "Desire Properties"). HANO is a subordinate lender and provider of rental assistance to the Desire Properties under both Section 8 and 9 of the Housing Act of 1937 as amended.

The Desire Properties were developed and financed under the public housing mixed finance development program that allows private owners to develop and own public housing in a housing development that contains public housing and other types of rental housing and permits public housing to be financed in part by federal Low Income Housing Tax Credits ("LIHTC") with approval from the U. S. Department of Housing and Urban Development ("HUD").

Savoy I and Savoy II ("Savoy Properties") were financed with bonds issued by the Industrial Development Board of the City of New Orleans ("IDB") as well as loans from Wells Fargo N.A. and the Louisiana Housing Corporation ("LHC"), each of which are secured by leasehold mortgages on Savoy Properties.

Treasure Village and Abundance Square have satisfied the LIHTC compliance period and HANO is the only lender with mortgages on these properties ("HANO Loans").

In May of 2024, the general partners of the Savoy Properties informed HANO that they had abandoned their interests in the owner-entity partnerships effective immediately because they could not pay accumulated debts to their related property management company, Michaels Management-Affordable LLC ("Management Company") of nearly \$1.5 million dollars. Additionally, they informed HANO that the Management Company would cease providing services to the Savoy Properties on August 29, 2024

(extended to September 30, 2024). The general partners and the Management Company for Abundance Square and Treasure Village informed HANO they no longer wish to operate or manage those properties.

In June of 2024 the general partner of Savoy I informed the IBD that it will not pay the PILOT payment under the sublease with the IDB, which is a default under the sublease with the IDB.

The owners of the Desire Properties and the Management Company have been in ongoing discussions with HANO regarding preserving the services for the residents of the Desire Properties. The parties have reached an agreement wherein the owners and the Management Company agreed to extend their services to the properties until September 30, 2024, and negotiate an Interim Management and Operations Agreement to extend services until December 31, 2024.

HANO staff has negotiated a term sheet with the owners and Management Company for continued operations until December 31, 2024, to allow HANO time to obtain approvals from IBD, its trustee- The Bank of New York, Wells Fargo, N.A., LHC and HUD, for HANO (or HANO controlled entities) to take control of the Desire Properties January 1, 2025.

To stabilize and restructure the Desire Properties, HANO wishes to effectuate a workout and restructuring under which:

- HANO would enter into and Interim Management and Operations Agreement with the owners of the Desire Properties to continue to operate and manage the Desire Properties until December 31, 2024
- New entities would be created under Louisiana law wholly controlled by HANO, to assume the obligations and responsibilities of each of the owners of the Desire Properties (“New HANO-Controlled Entities” or “New HANO-Controlled Entity”)
- The Savoy Properties Owners would assign the existing loans to a New HANO-Controlled Entity that would assume the remaining obligations under the IDB bond documents
- The Savoy II Owner would assign the existing loans to a New HANO-Controlled entity that would assume the remaining obligations under IDB, Wells Fargo, and LHC documents; however, in the case of the Wells Fargo loan, HANO may provide its New HANO-Controlled Entity a loan (to be secured by the property) to pay off the Wells Fargo, N.A. loan to save transactional costs
- The Abundance and Treasure Property Owners would assign their interests in the ground leases and the remaining obligations under the HANO Loans to New HANO-Controlled Entities
- HANO would seek HUD approval of (i) the transfer of ownership of the Desire Properties to the New HANO-Controlled Entities and the related assignment of existing debt obligations, (ii) the removal of the Desire Properties from the public housing program and replace the public housing operating funds with Project Based Voucher assistance to provide more stable operating income to the sites (iii) replacing the public housing use restriction on the Desire Properties with a similar use restriction in favor of HUD requiring the Desire Properties to be devoted to affordable housing purposes for the same term as required by the public housing restrictions
- The New HANO-Controlled Entities would contract with the private management company or HANO to manage the Desire Properties
- HANO would stabilize the Desire Properties and evaluate strategies for recapitalization in the future.