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**MEMORANDUM**

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**FROM:** TAX ADVANTAGE GROUP

**TO:** FILE

**SUBJECT:** EBRCDE 2017 BOARD MEETING

**DATE:** NOVEMBER 16, 2017

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- I. EBRCDE Closed Projects: Community Outcomes
- II. Asset Management: Risk Ratings
- III. Unwind Targets
  - 1. Red Stick Hospitality (Hampton Inn) September 2018
  - 2. Americana YMCA May 2019
  - 3. Honeywell June 2019
  - 4. Emerge Center October 2019

East Baton Rouge Community Development Entity  
Closed Projects and Community Outcomes as of 12.31.2016

NAME	NMTC ALLOCATION	PROJECTED NMTC EQUITY TO PROJECT	DATE CLOSED	END OF NMTC COMPLIANCE PERIOD	TAX CREDIT INVESTOR	*EBRCDE INDEMNIFICATION CAPS	EBRCDE INDEMNIFICATION AMOUNTS	Actual Jobs Construction	Actual Jobs Permanent	Actual Total Jobs	Community Goods and Services
Howell Place YMCA (Exxon Mobil YMCA)	\$ 6,100,000	\$ 1,078,236	9/24/2010	9/24/2017	Capital One	NA	NA	140	22	162	4,500
Red Stick Hospitality (Hampton Inn)	\$ 17,000,000	\$ 3,145,527	9/16/2011	9/16/2018	Wells Fargo	\$ 6,630,000	\$ 6,630,000	143	42	185	Including 50 child care slots
Americana YMCA	\$ 11,300,000	\$ 2,280,750	5/25/2012	5/25/2019	US Bank	\$ 4,407,000	\$ 4,407,000	110	33	143	6,000
Honeywell	\$ 17,500,000	\$ 4,000,703	6/25/2012	6/25/2019	Chase	\$ 1,671,000	\$ 6,824,318	173.5	52	225.5	Including 150 child care slots; 71% of FT positions are LIPs (tested and recruited by the LA Workforce Commission)
Emerge Center	\$ 8,100,000	\$ 1,761,610	12/21/2012	10/31/2019	Chase	\$ 825,037	\$ 3,159,000	51.65	51	102.7	3,200
											Patients per year, of which 65% are Medicaid recipients
Totals	\$ 60,000,000	\$ 12,266,826				\$ 13,533,037	\$ 21,020,318	618.15	200	818.15	13,700

\*Caps do not apply if recapture is result of ....which includes failure to notify Investor of occurrence or expected occurrence of Redemption or Sub-All Failure

EBRCDE Portfolio Risk Rating

		<u>September 30, 2015</u>		<u>September 30, 2016</u>		<u>September 30, 2017</u>	
RDA Fund I	Howell Place YMCA	B	4	B	4		
RDA Fund II	Red Stick Hospitality	A	5	A	5	A	5
RDA Fund III	Americana YMCA	A	5	A	5	A	5
RDA Fund IV	Honeywell	B	4	B	4	B	4
RDA Fund V	Emerge Center	B	4	B	4	B	4
	Average	B	4.4	B	4.4	B	4.5

## ASSET MANAGEMENT

### A) Risk Rating

The Risk Rating categories are as follows:

A Pass - Loan meets all underwriting requirements and is performing as agreed

B Pass – Loan does not meet one or more underwriting requirements, or there are concerns but the loan is performing as agreed.

C Pass - Loan is under-collateralized and under-guaranteed but is performing as agreed

D Sub-Standard - Loan is delinquent and not performing as agreed but borrower is making payments

E Doubtful - Loan is delinquent and not performing as agreed – EBRCDE and borrower are working on a corrective action plan including loan modification if necessary

F Loss – The loan is deemed to be uncollectible.

Loans rated as Category A and B exhibit characteristics that represent low to moderate risk measured by using a variety of credit risk criteria such as balance sheet liquidity, net operating income, cash flow, debt service coverage, management experience, and support from secondary sources of repayment. These loans are supported by proper collateral and guarantees from principal parties.

Loans rated as Category C exhibit characteristics that represent moderate risk. The loan is currently performing as agreed but potentially weak because of an adverse feature or condition.

Loans rated as Category D exhibit characteristics that represent high risk. This rating is for loans where the primary sources of repayment are not currently viable or where either the capital or collateral is not adequate to support the loan and the secondary means of repayment do not provide a sufficient level of support to offset the identified weakness but are sufficient to prevent a loss at this time.

Loans rated as Category E exhibit characteristics that represent high risk. This rating is for loans that have an impaired primary source of repayment and secondary sources are not sufficient to prevent a loss.

Loans rated as Category F represent loans that have been through a financial analysis and have no viable source of repayment.

## EBRCDE Financial Product

Source: 2009 NMTC Allocation Application

### Debt with Equity Features:

1. Subordinate
2. Interest rate from 0.5% to 2%
3. 0 origination fees
4. Interest only payments of 7 years
5. LTV ratios between 80% to 100%
6. Amortization periods of 40 years for real estate projects
7. More flexible borrower credit standards
8. Alternative collateral positions including assignment of future cash flow, letters of credit, portfolio assets, or other property
9. DSCR as low as 1.0x
10. No loan loss reserve requirements

LENDER: REDEVELOPMENT AUTHORITY FUND II, LLC

BORROWER: RED STICK HOSPITALITY, LLC dba Hampton Inn

Loan Closing Date – September 16, 2011

Loan Maturity Date - Loan A – September 16, 2018

Loans B and C – September 16, 2051

Project Costs – \$16,717,661

QLICI Loans – \$16,490,000

Other Loans – none

Appraised FMV of Project - \$18,100,000

Project LTV – 91%

Project DSCR – 4.46

Collateral –

- Mortgage – 1<sup>st</sup> priority
- Security Agreement and Fixture Filing
- Assignment of Leases and Rents
- Guarantor Account Pledge and Control Agreement
- Subordination of Management Agreement

Guarantors – Ray Schultz; G. Weston Nalley; George B. Nalley, Jr.; G. Dial Dubose; Robert Patrick; Thomas A. Patrick III; B.W. Teekell; Joe Lee Mcnennon Sitton; Paul C. Aughtry, III; Franklin A. Parnell; Russell H. Smart; ASHCO, Inc.; Morgan W. Fayssoux, Jr.; Norwood Investments, LLC; Christopher R. B. Cargen; Bruce B. Aughtry; Charles S. Reyner, Jr.; Leif A. Busby; Paul D. Gillespie, Sr.; Palo Rojo, LLC; RSH Funding, LLC

Repayment Guaranty - All amounts due under Loan, including principal, interest, expenses, and fees

Completion Guaranty

### **September 30, 2017 Risk Rating – A Pass**

All interest payments have been received as scheduled.

LENDER: REDEVELOPMENT AUTHORITY FUND III, LLC

BORROWER: Americana YMCA Operating, Inc.

Loan Closing Date – May 25, 2012

Loan Maturity Date - May 24, 2042

Project Costs – \$11,389,407

QLICI Loans – \$10,961,000

Other Loans – none

Appraised FMV of Project - \$11,096,000

Project LTV – 98%

Project DSCR – 2.33

Collateral –

- Mortgage – 1<sup>st</sup> priority
- Security Interest in all equipment, intangibles, books and records, and proceeds from sales of equipment (including UCC-1 Financing Statement)
- Assignment of Leases and Rents

Guarantor – YMCA of the Capital Area

Guaranty – All amounts due under Loan, including principal, interest, expenses, and fees

**September 30, 2017 Risk Rating – A Pass**

All interest payments have been received as scheduled.

LENDER: REDEVELOPMENT AUTHORITY FUND IV, LLC

BORROWER: HONEYWELL BATON ROUGE QALICB REAL ESTATE COMPANY, LLC

Loan Closing Date – June 25, 2012

Loan Maturity Date - Loan A - June 24, 2020

Loan B – June 24, 2052

Project Costs – \$33,525,000

QLICI Loans – \$16,975,000

Other Loans – Chase \$7,500,000  
CRF \$8,000,000

Appraised FMV of Project - \$30,425,500

Project LTV – 107%

Project DSCR – 22.5x

Subordinate debt – RDA Fund III is 3<sup>rd</sup> priority of payment behind Chase and CRF

Collateral -

Guarantor – Honeywell International, Inc.

Guaranty – All obligations, duties, covenants and agreements of Borrower under Loan Documents;  
Completion of all construction work and equipping of the Improvements

**September 30, 2017 Rating – B Pass**

Project LTV exceeds normal underwriting limits.

Loans are undercollateralized.

All interest payments have been received as scheduled.



LENDER: REDEVELOPMENT AUTHORITY FUND V, LLC

BORROWER: THE EMERGE CENTER HOLDING COMPANY, INC.

Loan Closing Date – December 21, 2012

Loan Maturity Date - December 20, 2047

Project Costs – \$8,004,106

QLICI Loans – \$7,857,000

Other Loans – None

Appraised FMV of Project - \$7,638,000

Project LTV – 103%

Project DSCR – 1.08x

Collateral - Mortgage, Security Agreement and Assignment of Leases and Rents

- UCC-1 Financing Statements – all accounts, equipment, general intangibles, books and records, proceeds of any collateral, and all fixtures relating to real property

Guarantor – Baton Rouge Speech and Hearing Foundation

Guaranty – all obligations, duties, covenants and agreements of Borrower under the Loan Documents

- Construction and Completion of Improvements

**September 30, 2017 Risk Rating – B Pass**

Project LTV exceeds normal underwriting limits

All loan interest payments have been received as scheduled