

EXECUTIVE SUMMARY

Project Name: Maumelle New Town

Developer: Maumelle Land Development, Inc.

*Approval: Offer of Commitment-December 22, 1970
Project Agreement-December 17, 1971*

Amount of Guarantee: \$7.5 million

A. Background and Summary of Progress

(1) Background

The U.S. Dept. of HUD provided a guarantee of \$7.5 million for development of Maumelle New Town, a community of 45,000 population located 12 miles north of downtown Little Rock, Arkansas. Maumelle will have a frontage of 3-1/2 miles on the recently completed \$1.2 billion waterway and flood control project on the Arkansas River. It will contribute new jobs, new economic growth, and new opportunities to the Central Ozark Region, an area which has suffered chronic unemployment.

In addition to the commanding view of the Arkansas River, Maumelle 5,319 rolling acres will include four lakes, one of which will be the site of a 62.6 acre town center. Plans include construction of 4,614 single family detached homes, 6,019 medium density dwellings, and 4,166 units in high rise apartments. Forty-six percent (46%) of the housing in the New Community

will be within the economic range of low and moderate income families.

Industrial use in Maumelle is planned for 1,071 acres, with rail and barge access. Throughout the Arkansas River project, a series of dams, locks, and reservoirs was designed to promote industrial growth and to ease the threat of flooding in the region. Locks which opened recently promote industrial growth from the Mississippi River to near Tulsa, Okla. with the capacity to take regular Mississippi River barge traffic.

(2) Developer

Maumelle Land Development, Inc. was incorporated in May, 1969 primarily to develop land for the new community of Maumelle. Mr. Jess P. Odom is the only stockholder, chairman of the Board and President of the Corporation. He was co-founder of the National Investors Life Insurance Company in 1957, and its president and chairman of the Board, positions from which he resigned in 1968. Under his direction, the company attained sufficient growth to place it in the top 12% of all life insurance companies in the U.S., and to generate 48 other affiliated insurance, mortgage, and investment companies in at least nine states

The principal administrative and developmental experience is provided by Dowell Naylor, Executive Vice President of the development corporation and Administrative Assistant to Mr. Odom. Mr. Naylor has had long-time experience in the administration of Federal low rent housing and urban renewal programs, state, and local and regional planning programs, and was a consultant to nonprofit groups concerned with low and moderate income housing programs. He was Executive Director of the Housing and Renewal Authority of Little Rock from 1960 to 1966. Since 1967 he has been working with Mr. Odom on Maumelle and related development activities.

(3) Development Progress

Although overall construction is reported by the developer as approximately 7-1/2 months behind schedule, development has progressed most rapidly in two villages, Cook Mountain Village and Crystal Hill Village.

The developer's progress has been aided by Federal grants for a main entry road to the site and construction of water and sewer systems.

<i>Water System - Eligible Cost</i>	<i>\$1,585,600</i>
<i>HUD Basic Grant</i>	<i>792,800 (50%)</i>
<i>HUD Supplemental Grant</i>	<i>317,120 (20%)</i>
<i>Total Grant</i>	<i>\$1,109,920</i>
<i>Sewer System - Eligible Cost</i>	<i>\$2,041,639</i>
<i>EPA Basic Grant</i>	<i>1,146,450 (56%)</i>
<i>HUD Supplemental Grant</i>	<i>408,200 (20%)</i>
<i>Total Grant</i>	<i>\$1,554,650</i>
<i>Main Entry Road (Section I)</i>	<i>\$1,358,000</i>
<i>Fed. Hwy. Basic Grant</i>	<i>679,000 (50%)</i>
<i>HUD Supplemental Grant</i>	<i>271,600 (20%)</i>
<i>Total Grant</i>	<i>950,600</i>

A contract was awarded for basic water facilities. The construction of the water plant is 29% complete. The renovation of the water storage tank is 99% complete and the laying of the main water lines is 97% complete.

A contract was awarded for sewer treatment facilities. The installation of sewer force mains, outfall lines and main lines is 55% complete; and the construction of the sewer treatment

plant and lift stations is 10% complete.

Installation of water and sewer service lines for all tracts under development in Crystall Hill Village and Cook Mountain Village is almost completed.

B. Financial History and Status

The chief asset of the Maumelle project is that the developer already owns the land, which he purchased in 1968 at less than market value, \$1.9 million. He does not plan to recover the initial acquisition costs until the second stage of development. Therefore, cumulative surpluses should accrue early for repayment of Title VII bonds.

Although Maumelle was eligible for guarantee up to \$21.5 million, initial authorization was approved for only \$7.5 million. Development schedules and the original economic model were developed for only 12 years instead of 20 years which is the period of the guarantee. The debentures we sold on a private placement and been issued on an installment basis. The 5th issue is scheduled for December 3, 1973, for \$400,000, leaving a balance unissued of \$600,000.

(See Attachment A for other financial data)

C. Key Issues and Concerns

(1) Additional Guarantee Authority

MLD has informed NCA of its need for additional guarantee authority. Factors contributing to the need are as follows:

- a. Approximately 8 months of construction time were lost due to severe rain and flooding in the area during the past year. Results - slow down in revenue from lot sales.
- b. Construction bids have reportedly exceeded the estimates contained in the economic model. Results - increased site preparation cost.
- c. Initial economic model was based on "least cost approach" for only twelve (12) years instead of twenty (20) years.
- d. Although a economic model for 20 years was required as a condition for approving the project agreement and was completed for the developer 7 months later, the developer has informed us that this model "completely missed the mark with respect to both costs and income."

The options available to the board will not be known until a rigorous review is made of the developers new economic model.

The three year history from the project's operations should provide useful data for evaluating with more accuracy projected cash flow requirements.

(2) Low and Moderate Income Housing

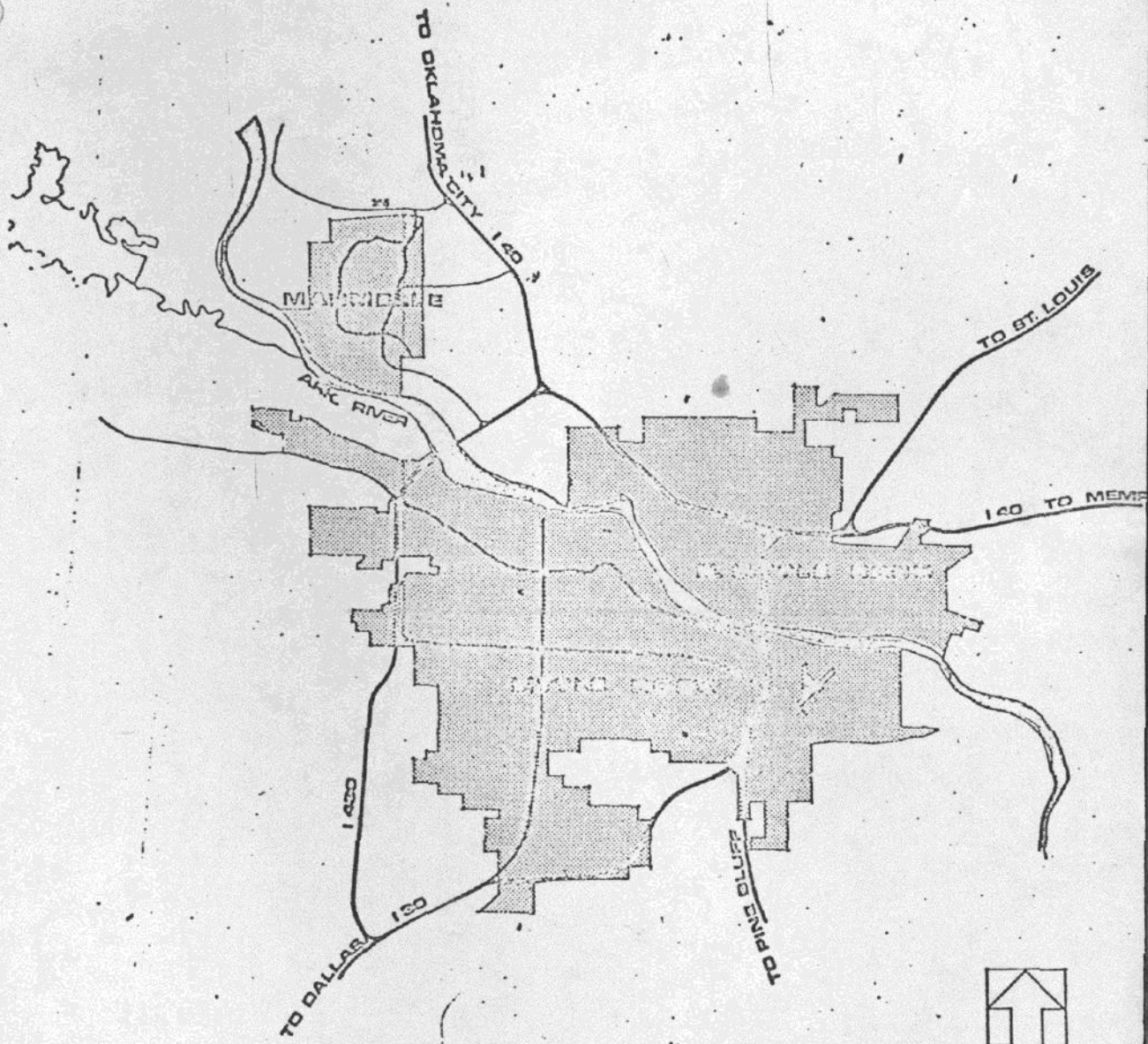
We are concerned that Maumelle's actual absorption rate for low and moderate income housing may not be in phase with schedules in the development plan. A careful analysis of this will be made when we consider their request for additional guarantee authority. Such analysis is of particular importance in light of the Little Rock Area Office's recent rejection of the first 172 units of Section 236 housing. Outstanding instructions (Project Selection Criteria) issue to the Area Office requires that certain institutional amenities be in place, that a job base be reasonably close to the site, that some form of public transportation be accessible, etc. in order that a project be feasible. At this time the Area Office is not instructed to give special consideration to the over all timing and programing of amenities and services for a new community. Until some reasonable level of flexibility is provided to the Area Office it will be difficult to hold the developer to the original schedule. MLD, the section 236 sponsor, and the Area Office Staff are

currently investigating the degree of variance in MLD's development schedules and the project selection criteria for approving subsidized housing programs. Their findings will be submitted to HUD Central Office for evaluation.

PROJECT NAME MAUMELLE LAND DEVELOPMENT, INC.BACKGROUND

1. Commitment (Date <u>December 17, 1971</u>)	\$ <u>7,500,000</u>
2. Projected Cumulative Net Cash Flow (original)	\$ <u>2,290,000</u>
3. Cash Equity	\$ <u> </u>
4. Guarantee Issued	\$ <u>6,500,000</u>
5. Interest Rate	\$ <u>7.625%</u>
6. Escrow Balance (Date <u>July 31, 1973</u>)	\$ <u>2,959,371</u>

<u>STATUS</u> (Date <u>June 30, 1973</u>)	<u>Cumulative Amount in Thousands</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Actual over (under Budge)</u>
Operating Revenues	\$ <u>3,916</u>	\$ <u>105</u>	\$ <u>(3,811)</u>
Less:			
Land Acquisition Costs	<u>3,725</u>	<u>1,405</u>	<u>(2,320)</u>
Construction Costs	<u>3,816</u>	<u>1,876</u>	<u>(1,940)</u>
Non-construction Costs	<u>540</u>	<u>1,607</u>	<u>1,067</u>
Financing Costs	<u>900</u>	<u>1,183</u>	<u>283</u>
Cash Income (deficit)	\$ <u>(5,065)</u>	\$ <u>(5,966)</u>	\$ <u>901</u>



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