

MINUTES OF A SPECIAL MEETING OF
THE HOUSING AUTHORITY OF THE CITY OF RALEIGH
BOARD OF COMMISSIONERS
JANUARY 12, 2021

The members of the Board of Commissioners of the Housing Authority of the City of Raleigh, North Carolina met in a Zoom meeting on Tuesday, January 12, 2021 at 10:00 a.m.

The Board Chair called the meeting to order and upon roll call the following were present and absent:

Present: Eric Braun, Niya Fonville, Kistina Freeman, Arne Morris, Bahati Mutisya, Gregg Warren, Joe Whitehouse, Yolanda Winstead

Absent: Doris Wrench

Visitors: Kristen Kirby, McGuireWoods LLP; Travis Vencel, TWG

RHA Staff: Wayne Felton, Jennifer Morgan, Gwen Wall.

The Board Chair declared a quorum present and welcomed everyone to the meeting.

OATH OF NEW COMMISSIONER - Joe Whitehouse

Joe Whitehouse read the Oath of New Commissioner. Commissioner Freeman welcomed Commissioner Whitehouse to the RHA Board.

NEW BUSINESS

Mr. Felton said this resolution is the inducement resolution for the issuance of multifamily Departure Lofts. Per state statute, RHA is the gatekeeper of the bonds. These are non-recourse bonds – if the developer were to default on them, RHA is not financially responsible. RHA receives applications from developers who wish to do a tax credit deal and need bonds to complete their financial package. Most of the deals that staff has seen in the past include tax credit bonds and money from municipalities and deferred developer fees.

These are for affordable housing and serve tenants making 60% or less of AMI. Staff reviews the applications – looking at the financials and overall submittal to make sure it seems viable and meets the City of Raleigh’s requirements (such as the Affordable Housing Location Policy). Staff brings the inducement resolution to the Board of Commissioners for approval. Once approved, the developer applies for tax credits with the North Carolina Housing Finance Agency (NCHFA). Once it goes to NCHFA, it will get reviewed again in much more detail than RHA staff has reviewed it. Once the developer is ready, they will close on the deal and begin construction. At closing, RHA receives either 1% of the bond amount or \$91,000, whichever is greater (RHA’s issuance fee). Any money that RHA receives from issuing bonds goes into the local fund.

Over the past few years, through bond deals, RHA has been successful in helping the following:

- The preservation of 131 affordable senior units at Sir Walter Apartments.

- Over 400 family units at Raleigh Millbank North.
- Over 200 units at Capitol Towers, a high rise senior building near North Hills.

RHA has also approved bond deals that haven't yet closed for over 1,000 affordable housing units at different developments around Raleigh.

This bond deal is for Departure Lofts for up to \$26,500,000 in multifamily housing family revenue bonds. This project consists of:

- 170 units in 2 5-story buildings.
 - 18 studio apartments.
 - 54 1-bedroom units.
 - 50 2-bedroom units.
 - 48 3-bedroom units.

The development will be off of Departure Drive (between Spring Forest and Millbrook Road). The developer is TWG out of Indianapolis, IN. Some of the proposed amenities for the development include:

- Community room
- Playground
- Outdoor seating area with benches and a gazebo

The developer did not provide architectural plans at this time. They will be offering 325 parking spaces, which are more than what the city requires. The building will be corridor buildings with families. They have developed these types of buildings around the country and have had no problems with them from a management perspective.

This project is not exempt from the city's Affordable Housing Location Policy and the developer will be requesting a waiver from the city. The development has been rezoned but it has not received planning approval at this time.

The developer will start construction later this year – and complete construction in January 2023. Jennifer Morgan has reviewed their financials and staff is comfortable with their financial status. This deal is structured differently than other deals that staff has seen recently because there is no cash or deferred developer fees included (it is only bonds and tax credits). This is the developer's first tax credit in North Carolina so they wanted to keep it simple. Their plan is to pay off the bonds after construction with a permanent loan at that time.

The property will be affordable for 15 years. They will be partnering with CASA, where CASA would have the first right of refusal to purchase the property at the end of the 15 year compliance period. CASA is a non-profit organization that specializes in affordable supportive housing. Their intention is to keep the housing affordable after the initial compliance period.

The target market will be households from 60% AMI or less. They will accept Section 8 vouchers and the rents will range from \$907 - \$1323 per month, depending on the bedroom size. The total project will cost approximately \$32 million and there is no additional funding from the City of Raleigh or Wake County.

Commissioner Braun asked how many bond applications RHA gets and how many are turned down per year. Also, if a bond application is turned down, what basis are they turned down for? Mr. Felton said it varies from year to year. RHA gets approximately 4-5 per year. He is only aware of RHA turning down 2 applications in the last five years because:

1. Staff needed more time to review the documents.
2. The developer had not talked to the city first before turning in the application. They needed to talk to the city before they got RHA's inducement resolution. Staff spoke with them about it and have not heard from them again.

Commissioner Winstead asked if RHA would also collect the monitoring fees during the period during construction. Mr. Felton said RHA has not done that in the past. One of the things staff has considered is, rather than not collecting the monitoring fee, issuing a letter that waives it for this year to assist with affordable housing in the area.

Commissioner Warren said he thinks the deadline for pre-application is January 22nd and not January 15th, as stated by the developer. Also, he said it's his understanding that the inducement resolution is not done until the final application and that would give RHA the opportunity to have the City of Raleigh weigh in on whether or not they're willing to issue a waiver on the Location Policy. Kristen Kirby said this inducement resolution is needed by January 15th – that is the deadline for their final application with NCHFA. They submitted the preliminary application during the second rolling window of allocation.

Commissioner Warren asked why the developer didn't seek a waiver from the Affordable Housing Location Policy earlier. Kristen Kirby said, based on what she saw in the application, the developer thought they met the policy. However, as they were talking to the developer about the application, they suggested they go back and confirm it with the city. At that point, the city realized a waiver would be needed.

Commissioner Warren asked what would happen if the city council didn't grant the waiver. Kristen Kirby said in that instance, the deal would not move forward. The waiver is necessary for this deal.

Travis Vencel, with TWG, said they had originally thought this deal would be taken through the 9% round last year. When COVID happened, the due diligence period was extended and the rezone process slowed down. They were able to make this deal work as a bond deal, specifically when they saw that the 4% rate was going to be fixed. With their initial conversations with the City of Raleigh, they believed they met the Affordable Housing Location Policy. They went through the rezone process, working with the city, and as they came to the deadline of the 15th, they realized they did not meet that policy. However, according to NCHFA, they didn't need the waiver until later. He said they operate in approximately 15 states, and every state is a little bit different about when the inducement resolution is needed and when the different waivers are needed. He said they will work with the city to secure the waiver.

Commissioner Warren said his only comment is that RHA is rolling the dice on the fact that the developer will get the waiver. He said, going forward, he would prefer that a policy is set to require the waiver be in place at the time of the application.

Commissioner Warren asked why there weren't plans included in the application. Travis Vencel said they weren't required in the application – they have them for submittal to NCHFA and he can provide them to the RHA Board for follow up as they move forward.

Commissioner Whitehouse asked how CASA is involved in this deal. Travis Vencel said they are partnering with CASA and they will be a limited partner and partial owner in this project. CASA will provide additional services to the residents (services that they already provide). There is a small developer fee that is being deferred and the CASA Board has passed a resolution approving that small developer fee deferral. CASA will be working hand-in-hand with them and will have the first right of

refusal to purchase the property, in the event that it gets sold. TWG also has a contract with them for additional services, should there be a need.

Commissions Warren asked if TWG is providing the property management services. Travis Vencel said they provide the property management services – they manage all of their properties nationwide since they are obligated that they meet the standards for those tax credits as part of the QAP.

Commissioner Braun suggested that staff amends the application in the future to require waiver documents be attached.

Commissioner Warren asked if they are assuming they won't be paying property taxes, due to CASA's involvement. Travis Vencel said that is correct.

HOUSING AUTHORITY OF THE CITY OF RALEIGH
RESOLUTION NO. 1 (2021)

RESOLUTION GIVING PRELIMINARY APPROVAL TO ISSUANCE OF MULTIFAMILY
HOUSING REVENUE BONDS (DEPARTURE LOFTS)

WHEREAS, the Board of Commissioners of the Housing Authority of the City of Raleigh, North Carolina (the "Authority") held a telephonic meeting at 10:00 a.m. on the 12th day of January, 2021; and

WHEREAS, the Authority is organized and operates pursuant to the North Carolina Housing Authorities Law, Article 1 of Chapter 157 of the General Statutes of North Carolina, as amended (the "Act"); and

WHEREAS, the Act defines "housing project" in N.C.G.S. § 157-3(12) to include "property, buildings and improvements . . . acquired or constructed . . . pursuant to a . . . plan or undertaking . . . [t]o provide grants, loans, interest supplements and other programs of financial assistance to public or private developers of housing for persons of low income, or moderate income, or low and moderate income"; and

WHEREAS, the Act in N.C.G.S. §§ 157-9 and 157-37 gives the Authority the power "to provide for the construction, reconstruction, improvement, alteration or repair of any housing project" and "to borrow money upon its bonds, notes, debentures or other evidences of indebtedness and to secure the same by pledges of its revenues"; and

WHEREAS, TWG Development, LLC, an Indiana limited liability company, or an affiliated or related entity (the "Company"), intends to provide low and moderate income housing in the City of Raleigh, North Carolina (the "City"); and

WHEREAS, the Company has requested that the Authority assist it or an affiliate in financing the acquisition, construction and equipping of a multifamily housing development to be known as Departure Lofts, consisting of 170 units located in two residential buildings at 5329 Departure Drive in the City (the "Development"); and

WHEREAS, the Company has described to the Authority the benefits of the Development to the City and the State of North Carolina and has requested the Authority to agree to issue its multifamily housing revenue bonds in such amounts as may be necessary to finance the costs of acquiring, constructing and equipping the Development; and

WHEREAS, the Authority is of the opinion that the Development is a facility that can be financed under the Act and that the financing of the same will be in furtherance of the purposes of the Act;

NOW, THEREFORE, BE IT RESOLVED BY THE HOUSING AUTHORITY OF THE CITY OF RALEIGH, NORTH CAROLINA:

1. It is hereby found and determined that the Development will involve the acquisition, construction and equipping of a multifamily housing facility, and that therefore, pursuant to the terms and subject to the conditions hereinafter stated and the Act, the Authority agrees to provide reasonable assistance to the Company in issuing bonds to finance the acquisition, construction and equipping of the Development, and, in particular, to undertake the issuance of the Authority's multifamily housing revenue bonds (the "Bonds") in an amount now estimated not to exceed Twenty-Six Million Five Hundred Thousand Dollars (\$26,500,000) to provide all or part of the cost of the Development.

2. The Authority intends that the adoption of this resolution be considered as "official action" toward the issuance of the Bonds within the meaning of Section 1.150-2 of the Treasury Regulations issued by the Internal Revenue Service under the Internal Revenue Code of 1986, as amended (the "Code").

3. The Bonds shall be issued in such series and amounts and upon such terms and conditions as are mutually agreed upon among the Authority and the Company. The Authority and the Company shall enter into a "financing agreement" pursuant to the Act for a term and with payments sufficient to pay the principal of, premium if any, and interest on the Bonds and to pay all of the expenses of the Authority in connection with the Bonds and the Development. The Bonds will be issued pursuant to an indenture or security agreement between the Authority and a trustee (the "Trustee") or the bondholder which will set forth the form and terms of the Bonds and will assign to the Trustee for the benefit of the holders of the Bonds, or directly to the bondholder, the Authority's rights to payments under the financing agreement, except the Authority's right to payment of fees and expenses and indemnification. The Bonds shall not be deemed to constitute a debt or a pledge of the faith and credit of the State of North Carolina or any political subdivision or agency thereof, including the Authority and the City, but shall be payable solely from the revenues and other funds provided under the proposed agreements with the Company.

4. The Authority hereby authorizes the Company to proceed, upon the prior advice, consent and approval of the Company and bond counsel, and consistent with the Company's representations to the Authority, to obtain approvals in connection with the issuance and sale of the Bonds, including, without limitation, from the City Council of the City of Raleigh, North Carolina, and, if required, the North Carolina Local Government Commission, and to obtain an allocation of a sufficient amount of the State of North Carolina's "private activity bond limit", as required by Section 141 of the Code and as defined in Section 146 of the Code, for the Bonds.

5. It having been represented to the Authority that it is desirable to proceed with the acquisition, construction and equipping of the Development, the Authority agrees that the Company may proceed with plans for such acquisition, construction and equipping, enter into contracts for the same, and take such other steps as it may deem appropriate in connection therewith, provided that nothing herein shall be deemed to authorize the Company to obligate the Authority without its written consent in each instance to the payment of any monies or the performance of any act in connection with the Development and no such consent shall be implied from the Authority's adoption of this resolution. The Authority agrees that the Company may be reimbursed from the proceeds of the Bonds, if and when issued, for all qualifying costs so incurred by it as permitted by Treasury Regulations Section 1.150-2.

6. All obligations hereunder of the Authority are subject to the further agreement of the Authority and the Company to terms for the issuance, sale and delivery of the Bonds, and the execution of a financing agreement, indenture or security agreement and other documents and agreements necessary or desirable for the issuance of the Bonds. The Authority has not authorized and does not authorize the expenditure of any funds or monies of the Authority from any source other than the proceeds of the Bonds. All costs and expenses in connection with the financing and the acquisition, construction and equipping of the Development, including the reasonable fees and expenses of the Authority's counsel, bond counsel and the agent or underwriter for the sale of the Bonds, shall be paid from the proceeds of the Bonds or by the Company, but if for any reason the Bonds are not issued, all such expenses shall be paid by the Company and the Authority shall have no responsibility therefor. It is understood and agreed by the Authority and the Company that nothing contained in this resolution shall be construed or interpreted to create any personal liability of the officers or commissioners from time to time of the Authority.

7. The officers of the Authority are hereby authorized and directed to take all actions in furtherance of the resolution and the issuance of the Bonds.

8. The Authority hereby approves McGuireWoods LLP, Raleigh, North Carolina, to act as bond counsel for the Bonds.

9. The Authority hereby approves The Francis Law Firm, PLLC, Raleigh, North Carolina to act as issuer's counsel for the Bonds.

10. This resolution shall take effect immediately.

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Commissioner Warren moved and Commissioner Braun seconded approval of the foregoing resolution.

A vote being called, the ayes and nays were as follows:

Aye: Eric Braun, Niya Fonville, Arne Morris, Bahati Mutisya, Gregg Warren, Joe Whitehouse, Yolanda Winstead, Kistina Freeman.

Nay: None

Resolution No. 1 (2021) has been adopted.

ADJOURNMENT

There being no further business to come before the Board, the Chair declared the regular meeting adjourned at 10:45 a.m.