

Repositioning Committee Meeting Minutes
October 12, 2021
11:30 AM

Committee Present: Eric Braun, Arne Morris, Gregg Warren, Wayne Felton

Committee Absent: Bahati Mutisya

RHA Board Present: None

RHA staff: Liz Edgerton, Jennifer Morgan, Donna Perez, Gwen Wall

Visitors: Charles Francis, Francis Law Firm, PLLC;

Commissioner Warren reminded the public that there would be time allowed at the end of the meeting for public comments. At this time, the participants have been muted and the chat room has been disabled. The Committee may not respond to the questions or comments during the meeting. However, they are taken seriously and will be responded to by RHA staff.

Review and approval of Minutes of September 14, 2021

Mr. Felton moved and Commissioner Braun seconded approval of the Minutes from the August 10, 2021 meeting. A vote being called, the ayes and nays were as follows:

Aye: Eric Braun, Wayne Felton, Arne Morris, Gregg Warren

Nay: None

Update on RAD process

Mr. Felton said RHA is waiting on approval from HUD. Our understanding is that HUD is extending the RAD closings. There have been a lot of extensions granted. HUD had asked us to update our CNA due to the radon testing that they required us to do this summer. And since we're updating that we also are including the gas venting. We just received the final pricing for that the other day, so we're updating them. Staff contacted RHA's transaction manager to discuss where we're at in this closing process and what the next steps are.

We've also talked with our consultant EJP about what happens if we don't close in November. They have no concerns if we do not close in November – we just push into 2022. Their thoughts are the rents are going to go up in 2022. So if nothing else, we're getting those higher rents. One of the things with that is when we close in 2022, from that point to the end of the calendar year, we would not earn admin fees for those vouchers. That's why we were pushing to close in November. Regardless of when you close on RAD, the funding you start the year with is how you continue the year. So we will be funded as a public housing property, even though we'd be RAD and using project based voucher, so we would not be earning those admin fees for that period of the year. We are going to be working through that with HUD and our consultant to get all that done and get closed.

Commissioner Braun asked much money are we talking about – just generally.

Mr. Felton said, ballpark, the admin fees are about \$60 per unit month, and we have 196 so you're looking at about \$12,000 a month that the Section Eight program would not be earning as far as admin fees.

Update on Communication Contract

Mr. Felton said he just signed the Communications Contract with P3 and staff is getting ready to have a kickoff meeting with them.

Commissioner Warren asked when the meetings with them will get started.

Mr. Felton said staff hasn't discussed this yet. However, they will probably get started at the end of this year or first of next year. The Developer Proposals are due on November 22nd and those will take a while to evaluate. Staff's goal is to bring those to the RHA Board for the January meeting. Staff will bring the Master Developer Consultant to the RHA Board at the October Board Meeting. Given that schedule, the estimate is that they will start working in December to work on their Communications Plan for Heritage Park in collaboration with the Master Development Consultant.

Mr. Felton said he would like to bring them up to speed as to where RHA is at and what other communications and meetings staff had during this process.

Commissioner Warren asked, after that initial meeting, if staff can ask them to work with RHA to develop a schedule of meetings and how long this process might take so that it could be shared with the Board.

Commissioner Braun asked if they will develop a plan for how to approach this. How does staff foresee getting them going?

Mr. Felton said he envisions bringing in the Master Development Consultant to help with the overall Master Development Plan, which includes communications, the community engagement, and developers, financing and lay out the whole plan. P3 is going to be working on the Communications Plan.

Mr. Felton said RHA needs to start with the Master Development Consultant and break it down into the separate pieces.

Commissioner Warren said, as point of clarification, if Mr. Felton is referring to the "Master Planning Contract" on the agenda.

Mr. Felton said "yes".

Commissioner Warren asked if that has been awarded yet.

Mr. Felton said the RFP was sent to nine firms. Two proposals were received and staff has scored those. Staff has someone that they are comfortable with and a call will be made with them to discuss contract, price, etc. so that it can be finalized and brought to the RHA Board at the October Board Meeting.

Commissioner Warren asked if Mr. Felton could share the name of that company.

Mr. Felton said he would like to wait since the results are not public yet. There is still scoring going on with the other companies.

Commissioner Warren clarified that the Master Planning contract is focused on Heritage Park.

Mr. Felton said “yes”.

Commissioner Warren clarified that the Communications Contract with P3 is focused on Heritage only – or is it more global.

Mr. Felton said it’s solely for Heritage Park. Staff had also brought a communications resolution to the Board for the overall agency and the Board wanted staff to try to cast a wider net for additional proposals. It has been sent out to more firms and it has been re-advertised. Staff is hoping to bring that to the Board this month for approval.

Mr. Felton said staff is also working on the Strategic Plan Consultant for the overall agency. That resolution may be coming to the Board for approval in October as well. Staff wants to bring them up to speed as to what has been done and what other communications and meetings have taken place during this process.

Update on RAD Collaborative

Mr. Felton said we sent a list to Patrick Costigan. He had asked for some dates of potential meetings. He was asking for about an hour and a half with whoever is available to talk through the list that we had sent to them. I sent him a list of dates and I asked him to let me know what worked for him. Then we can send that out to the Board and try to coordinate that with everyone. I know he's trying to coordinate with three or four people and then we'll try to coordinate with the Board and staff. That’s where we're at with the RAD Collaborative.

Mr. Felton asked the committee if they have any additional dates that may work.

Commissioner Warren said he would have to look at calendars. However, if we can make some things happen before Thanksgiving and together before mid-November, that'd be great.

Mr. Felton said he would definitely like to get it done before Thanksgiving. We'll keep trying to get everybody's schedule and get it done before Thanksgiving.

Commissioner Warren said next up is the Governing Agreement.

Mr. Felton said we took the governing agreement and talked with staff, and we went through it and made our edits. We are tracking our edits so you can see what we're proposing. We also put

our comments in there as well, so that we can discuss and go with them. If you have any other questions we will certainly be glad to discuss them as well.

One of the things was defining the Gross Collections. I was looking to take out furniture, rental garages, and carports, just because we don't have those. If you want to leave them, that's fine.

On page six, it talks about any overhead expense. One of our concerns there is that the properties pay for the internet for 900 Haynes Street (our main office). The thought is that if you hired a management company that had a software package, then they're going to have to tie back to the main office, and your main office is going to have some expense there. That was one of the things that we just wanted to make sure. Maybe that is something we add into the agreement that the internet fee cover the internet at 900, because it's all tied together. The management offices run through the servers at 900. So without the internet there, they have no internet.

Commissioner Warren said his experience with Property Management Agreements back at DHIC was that, above and beyond the management fees, oftentimes, there were some additional fees tacked on by property management companies – bookkeeping or financial management fees. He doesn't think that's unreasonable to try to reflect some of those in some sort of special fees.

Commissioner Warren asked if the objective is to keep more income at the property level, rather than at the RHA level, because that's eventually unrestricted.

Mr. Felton said the management fees will be paid into local and that's an unrestricted bucket. Our thought was that you would want to reflect the management fees and how you would want it managed in here. If OCAC didn't hire RHA as the managing agent, then you'd want to have it written in such a way as if there's another entity that would be managing it. That's why I think you'd want to put the fees in there, to make sure that it's appropriate and would be in a real world situation, but both buckets would be unrestricted.

Mr. Felton said also some of our staff salary comes from local, so we don't want to short-change local and not be able to pay staff.

Commissioner Braun asked if there anything about this structure that would limit our ability to use funds that might be generated by this structure to acquire property in the future (either through this entity or another entity). Are we doing anything that's going to limit our ability to deploy funds towards another property or project if the opportunity presented itself?

Mr. Felton said where he thinks RHA would be limited is that we have our replacement reserves with those LLC s for the RAD conversion. That's restricted so you can't do anything with that. Anything above that, whatever the Board sets and is comfortable with, that should be able to be either moved to OCAC, or there shouldn't be any restrictions on that money at that point. If we wanted to move it to local or use it to purchase anything, it should be an OCAC Board decision at that time.

Mr. Francis said he agrees with that. I think you could just upstream the money to OCAC. The purposes of OCAC are broad enough that it could engage in the type of business you were

describing. The big problem around here now is trying to find people who will sell property for what we could pay.

Commissioner Braun said he wants to make sure that we are in a position and nimble enough to act quickly. Because, as you say, the chances of that are fairly slim, but if they arise, we've got to be in a position to move quickly, assuming the Board decided it was something we wanted to do.

Liz Edgerton agreed that there shouldn't be any restrictions in either the local bucket or with the OCAC funds.

Mr. Felton said the way we have CAD and the way our RHA properties work is the salaries and benefits for RHA staff is assigned to the property that performed the property management duties. And those positions include a property manager, office assistant, maintenance technician, and landscaper. Those positions may not be exclusive to that property. There will be a manager assigned to the property. The way we have it set up is it's going to be four properties with one manager. We will have two maintenance men and they will cover two properties apiece. We have one or two landscapers.

Commissioner Warren asked what the total number of units is.

Mr. Felton said 196 units.

Commissioner Warren said, in his experience, one property manager for 196 units would be a little thin.

Mr. Felton said we have a property manager and an office assistant.

Commissioner Warren said okay. Normally, we would maybe have an assistant property manager, as well as the property managers.

Commissioner Morris asked what ratios DHIC used previously.

Commissioner Warren said it depends on how many properties as well as the unit count. So we've got four properties with 196 units, I would say that the two administrative positions would be the least DHIC would go with, they might even have three across 196 units. And that would include a property manager, assistant property managers or administrative assistants, whatever you want to call them. I think it is okay to start out on this basis and see. Do these properties have management offices?

Mr. Felton said not all properties have management offices. With these properties, we have one management office at Valley Brook. And so that manager at Valley Brook covers Valley Brook, Terrace Park, Berkshire, and Meadowridge, and those are the four RAD properties. Not every property has a management office.

Commissioner Warren asked where the tenants pay.

Mr. Felton said they can pay online or they can drop them off at the management office or they can come to 900 if they want to.

Commissioner Warren asked if staff has set up the ability for residents to file maintenance requests online.

Mr. Felton said they have a work order line they can call. There is a work order clerk they call and it goes to her. If she's unavailable, they leave a message. After hours, we have an answering service that answers calls. The service sends staff an email for every call they get after hours. We have an email that goes along with the call.

Commissioner Warren said he is good with how the document has been drafted. He thinks the 10% management fee is probably a little stiff – these rents are going to be pretty high, right (the rents upon which this fee is calculated)? It's going to be against collections?

Mr. Felton said "yes".

Commissioner Warren asked about the rents for this development.

Mr. Felton said they will be RAD rents.

Commissioner Warren asked if they will be in the \$800 - \$1,000 range.

Mr. Felton said they won't be that high. They're around 70% of what the FMR rents are for Section Eight.

Commissioner Warren said DHIC management fees were not based on rents necessarily, we backed into that number. But it was based on a per unit cost, because the rents in a lot of affordable developments vary significantly. However, the work remains the same. What we'd say is it is \$30 per unit, and then we calculate what that equated to as a percent of gross collections. In some cases, standardizing the management fees may not make sense, because the gross collections on a per unit basis may vary.

Mr. Felton said we've looked at it as we wanted to keep it in collections, just to ensure that we're incentivizing them to collect the money.

Commissioner Warren said that is his point, too. That is how it would eventually be set up in the document that it would be a percent of collections, but that percentage would be calculated more on a per unit basis, and then you back into what that percent would be.

Mr. Felton said the other thing is that these are public housing units now. There are certain fees that RHA earns for public housing (the bookkeeping fees, the IT fee, etc.) and when you look at those at what we could earn as a public housing unit, and now we're not (but it's going to be a management fee). That still came to about 10% and that's where we got the 10% from. That's going to local, which covers some of our salaries. We don't want to shortchange local because we won't be able to pay our staff.

Commissioner Warren said you can charge IT fees and you charge bookkeeping fees to public housing units, and perhaps have a reduced fee for management fee. You would still get the same amount of money but it would be articulated in a little bit different manner where you'd have additional fees above and beyond the management fee.

Mr. Felton said we could look at that but our thought was that this is simpler with one fee. And also we noticed with one of our properties, when you look at the salaries and you add in the management fee, it jumped very high, and that's because you only have a maintenance man but you don't have anywhere else to share his salary. Here at Capitol Park, you have public housing units and CAD units so you can split the salaries between two. Not every property is equal, just like these RAD properties. I would say they're similar to public housing, but they're not like the CAD properties. We're still going to have to collect all the recertification documents, income documents, and recalculate their rent when they change jobs. So there's still a lot of administrative burden with these RAD units that you wouldn't have with a straight affordable market right here.

Commissioner Warren said there are different ways to do this. I thought I heard you say that you wanted to set up these management agreements such that they were roughly the same as what we would expect a third party property management company to do. And if that were the case, I think you would have some of these additional fees, such as bookkeeping, IT, etc.

Commissioner Braun said he is deferring to you all, because you know about collecting fees and the costs. He would like to see us put in the queue at some point is to take an overall look at these agreements. A lot of these property management agreements for other properties were pretty old. It might be worth taking a look and making sure that we're as consistent as possible and not leaving money on the table.

Commissioner Warren said he is inclined to recommend approval of this to the full Board as it's drafted right now, knowing that you need to have this as part of your submission to HUD. If we have some issues later on, we can certainly amend and change this.

Mr. Francis said he is good with it.

Commissioner Morris said he is okay with the agreement. He asked about the differences between this agreement and the OCAC and CAD agreements.

Mr. Felton said they are very different.

Commissioner Morris asked if it makes sense, at some point, to do a comparison and contrast to see what the differences are.

Mr. Felton said "yes".

Commissioner Morris said it would make him feel better to know what those differences are. So if anybody ever asked, he can answer that question.

Mr. Felton said that's one of the things we had talked about is looking at CAD and other things we want to add from this agreement. We want to get these worked out and then go from there.

Mr. Felton said he had one question. Section 5.5. talks about assignment. It talks about the owner may assign its rights and obligations under this agreement to any successor entitled to the development. On page 17, Section 7.2 B the disposition. I wanted to understand how that related to 5.5? Or are they related? I just wanted to understand what those provisions were saying in there.

Mr. Francis said 5.5 on assignment, is saying the owner, which would be one of the LLC entities, can assign the agreement to a successor without getting the housing authority's approval as management agent. But I still think this would require the housing authority's approval not as the agent, but as the original grantor.

Mr. Francis said in Section 7.2 B, in order for the owner to make a disposition, it would require the authority's approval not as the management agent, but as the authority as the original grantor. The owner wouldn't be able to make any type of transfer without the Authority Board approving that transfer. And that's in our role as a current owner of the property not as a management agent.

Mr. Felton said Section 11.1 talks about term of the contract. That last sentence talks about the authority of proving the replacement agent. Would that be that authority or should that be the OCAC approving the managing agent?

Mr. Francis said the intention is to require authority approval for that. The housing authority would approve that as the current owner of the property.

Commissioner Warren said he got confused too, because when he saw that the Housing Authority was charging for inspections that's a different role than the property manager. So you do have dual roles for the housing authority here and you have them both as the property manager, you have them as kind of ensuring that Section Eight stuff is running right and the properties are well managed and maintained and meet Section Eight standards. And then also, I guess you have a third responsibility, which is Wayne will be the agent of OCAC. It would probably be good to have that document in front of the Board as well.

Mr. Francis said we can we can have that for the meeting next week.

Mr. Francis said it's important to keep in mind that while what we're contemplating is that the Housing Authority will continue indefinitely as a management agent, that doesn't have to be the case. OCAC and these RAD communities could choose someone else as a management agent. So some of all those dual and triple roles could go away. So what I tried to do was to draft the agreement with that possibility in mind.

Commissioner Warren said the last meeting minutes mentioned that you were seeking maybe some phasing plan updates, maybe getting some meetings going with Mack Paul and the city regarding West Street. Any movement along those lines?

Mr. Felton said I don't believe we have. We're kind of stuck right now until we get our developer and where we're going. Donna heard from JDavis that it's not in our best interest to pursue variants on the grading. They felt like that was probably not going to be achieved, and that we'd spend a lot of time and money on that. We have not looked at any of the phasing since then, because we're bringing in a new master developer.

Donna Perez said Mack Paul is trying to coordinate a meeting for us to catch up with the City of Raleigh officials. I believe we're targeting the 29th for that Zoom meeting. We will just get an update from them on the Western Boulevard corridor plan.

Mr. Felton said we are still waiting to hear from the city on our work session with City Council. We followed up with the city and they're working on setting that up. And then I had a call with a mayor this morning. One of the things she mentioned is that some of the council members that she's talked to are interested in more density and mixed use over at Heritage Park. They'd also like to see a daycare center and amenities there as well. I told her we would consider that and I will let her know where we're at with our communications and our master development consultant.

Commissioner Warren said we've extended the Co-developer responses into November. He asked if staff feels like we're getting more interest than initially reflected through phone calls or inquiries.

Mr. Felton said "yes". We contacted 46 firms about the development. And we have received responses at this time. We asked for their contact info, to send it to our procurement manager so that they could get updates as we're answering questions.

Commissioner Warren asked if that could be sent out to the committee.

Review of Meeting Dates

Commissioner Warren said as we look into 2022, it looks like a lot of our repositioning meeting dates are a standing date, which is the second Tuesday of the month. That date conflicts with a couple of other boards that he has. He wondered if a Wednesday or Thursday is better in that week.

Commissioner Braun said Tuesdays are generally bad for him, just because he's interested in city council meetings. And they're both planning commission and city council meetings are either the first and third or the second and fourth Tuesday. He said he can make this work. But if there are other people interested, Wednesdays would be typically better. Thursdays would be fine, too.

Commissioner Morris said Tuesday through Thursdays are his preferences. He can make things work if he knows in advance.

Commissioner Braun said mornings work better for him. However, he will defer to the majority of the group and what works best for everybody.

Commissioner Warren asked if we want to move the public comments going forward to an earlier part of our meeting, even though I don't think we have any guests here today (like we've done at the full Board meeting).

Commissioner Braun said it's more predictable and friendlier to citizens, if we allow the public comment in the beginning.

Mr. Felton said there are arguments for having the comments in the beginning or end of the meeting. He doesn't have a preference one way or the other.

Commissioner Morris said he agrees. If they listen to the whole meeting, they can ask questions about what was discussed in the meeting. There are pros and cons to both.

Commissioner Braun said, presumably, if they're signing up to speak (or attending the meeting), they're signing up because they have an issue, they want to talk to people immediately.

Commissioner Morris said we can put it at the beginning, let them speak, and then they can hold any additional questions for the next month.

Commissioner Braun said most places don't make it a practice to respond to residents the night they comment anyway. So really, we shouldn't as a matter of practice be responding anyway. The most we should do is thank them for their comments and tell them we're going to refer this to the appropriate staff member and to follow up or provide a report at our next meeting. If they're at the beginning of the meeting, it tends to make the meetings a little more orderly, to be honest with you. If people respond to things that they heard at the meeting, sometimes it's a more emotional or visceral response. Then we're in a position of having to say that they're mistaken or confused, because they didn't understand what we were saying. We can always change it again. But I think I think we ought to try to do it at the front of the meeting.

Commissioner Warren asked if there are any objection to trying it out moving it right after minutes, see how that goes.

Commissioner Morris said we've done it with visitors before and let visitors speak in person. So I think if we put it in the beginning, that's fine.

Commissioner Warren said, to clarify with the Governing Agreement, is the underlying assumption that we're recommending approval?

The committee agreed to take it to the Board for approval.

The meeting was adjourned at 12:30 pm.