

MINUTES OF A SPECIAL MEETING OF
THE HOUSING AUTHORITY OF THE CITY OF RALEIGH
BOARD OF COMMISSIONERS
DECEMBER 16, 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 Thursday, December 16, 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, Susan Ellinger, Niya Fonville, Arne Morris, Gregg Warren, Joe Whitehouse.

Absent: Doris Wrench

Visitors: Annex Group: Ryan Clark, Kraig Gallagher, Sam Hurley; Ned Fowler, Consultant for the Annex Group

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

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

Update on Insurance Coverage

Mr. Felton said at the last Board Meeting staff brought to the Board the RHA Procurement Policy. Attached to the resolution was a copy of the RHA contract. There were some questions raised about the insurance limits. Staff checked with NCHARRP, who is RHA's insurance carrier, and we will follow their recommendations. They have different recommendations, depending on the type of contract, the amount of the contract, and the duration of the contract. The minimum that staff has seen is \$1 million dollars in general liability. Depending on the type of contract and the length, it could go up to \$5 million. When staff does a contract, they will attach the sheet that goes with it to let the contractor know what their insurance requirements are for that contract.

Commissioner Whitehouse said he raised that issue and he is glad to hear that there's multiple levels in terms of how that will look.

Commissioner Warren asked about NCHARRP.

Mr. Felton said NCHARRP is a risk retention pool formed by a group of housing authorities.

NEW BUSINESS

Mr. Felton said that a few of the Annex Group team members are in the meeting: Craig Gallagher, Ryan Clark, Sam Hurley, and Ned Fowler, who is consulting with Annex Group. They are the developers for the Union at Capital. They're out of Indiana and have over 15 years' experience in developing housing in multiple states. This is their second project in North Carolina. They currently have a project underway in Charlotte.

The Board received a revised resolution this morning. A change was made to the amount of the bond that they're requesting. The Annex Group saw that the construction costs were increasing so they increased the amount of the bond amount they were requesting (so they would not have to come back and ask for an increase later). The amount was increased to \$36 million from their initial application amount.

This development consists of 195 units for low-income families. They will house families with incomes at 60% Area Median Income or less. 10% of their units will be set aside for the Keys Program. The Keys Program is a program that runs through the North Carolina Housing Finance Agency that helps hard-to-house families find housing. The subsidy for those units comes through to North Carolina Housing Finance Agency.

This property will be affordable for a minimum of 30 years. It is located behind Ashton Square, which is off of Capitol Boulevard and next door to Meadowridge, one of RHA's public housing properties that will be converted to RAD. It meets the City of Raleigh's Affordable Housing Location Policy because there is a bus stop at the corner of Buffalo Road and Capitol Boulevard.

They are scheduled to close in July 2022 and begin construction. Lease-up will begin in March 2023. The monthly rents will range from \$1,077 to \$1,493, depending on the bedroom size. The total project is approximately \$43 million and the bond amount they're requesting today is \$36 million.

Mr. Felton turned the discussion over to the Annex Group.

Ryan Clark, VP of Development for the Annex Group, said they are a developer and a general contractor based out of Indianapolis. They have primarily focused their development efforts in the greater Midwest and Southeast.

Sam Hurley, CFO at the Annex Group, said they also have a Chicago office. They are currently active in over 15 to 16 states, including Charlotte, North Carolina. They are primarily focused on affordable housing, using the Low Income Housing Tax Credit, providing units in the Southeast and Midwest. They will go anywhere nationwide, focusing on 60% AMI units or less. They currently have six low-income housing projects and 16 student housing. Currently they focus solely on affordable housing.

Commissioner Whitehouse asked if the \$6 million increase represents an increase in construction costs.

Mr. Hurley said the bond request of \$36 million is tranche between long-term bonds that will be outstanding for the full length of the project, along with a short-term bond piece that will help bridge the other sources of the project during the construction phase (roughly \$7 million short-term and \$29 million long-term bonds). The reason for the increase request is due to the current volatile construction market. They want to make sure there is enough money to cover the needs for the project.

Commissioner Whitehouse asked if there was an updated pro-forma that came in with this additional bond request.

Mr. Hurley shared the pro forma on his screen with the Board.

Commissioner Whitehouse asked if an updated application was received with the increase in the bond request.

Mr. Felton said they didn't get updated application, but did get an updated sources and uses and pro forma.

Mr. Hurley said this is the breakdown of the sources and uses as they currently sit today. As mentioned, the construction costs highlighted in this section are really what we're concerned about moving substantially over the coming months. Roughly around \$20 million of the bonds will be outstanding for the full compliance period 15 to 30 years. The total construction loan that will be outstanding is approximately \$36 million, which is what we're requesting today.

Commissioner Warren asked if they would consider having a certain number of units project based with Section Eight.

Mr. Hurley said we've done project based vouchers on multiple projects in the past and are not opposed to it.

Commissioner Warren said it would not necessarily be for this deal. However, more as a policy or approach that the housing authority might take going forward.

HOUSING AUTHORITY OF THE CITY OF RALEIGH
RESOLUTION NO. 90 (2021)

RESOLUTION GIVING PRELIMINARY APPROVAL TO ISSUANCE OF MULTIFAMILY
HOUSING REVENUE BONDS (UNION AT CAPITAL)

WHEREAS, the Board of Commissioners of the Housing Authority of the City of Raleigh, North Carolina (the "Authority") held a special meeting at 10:00 a.m. on the 16th day of December, 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 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, Union at Capital, LP, an Indiana limited partnership, 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 Union at Capital, consisting of 195 units located at 3600 Lee Road 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 Thirty-six Million Dollars (\$36,000,000) 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.

(Commissioner Ellinger recused herself from the vote.)

Commissioner Braun moved and Commissioner Warren seconded approval of the foregoing resolution. A vote being called, the ayes and nays were as follows:

Aye: Eric Braun, Niya Fonville, Arne Morris, Gregg Warren, Joe Whitehouse

Nay: None

Resolution No. 90 (2021) has been adopted.