

MINUTES OF A SPECIAL MEETING OF
THE HOUSING AUTHORITY OF THE CITY OF RALEIGH
BOARD OF COMMISSIONERS
MARCH 25, 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, March 25, 2021 at 5:00 p.m.

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

Present: Eric Braun, Niya Fonville, Arne Morris, Bahati Mutisya (late), Gregg Warren, Joe Whitehouse, Yolanda Winstead, Doris Wrench

Absent: Susan Ellinger

Visitors: Sarah Baker, City of Raleigh; Charles Francis, The Francis Law Firm.

RHA Staff: Sonia Anderson, Priscilla Batts, Lisa Currie, Liz Edgerton, Bob Horn, Wayne Felton, Laura McCann, Jennifer Morgan, Donna Perez, Gwen Wall.

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

CONSENT AGENDA

All items on the Consent Agenda are considered to be routine and may be enacted by one motion and second. If a Commissioner requests that an item be removed from the Consent Agenda it will be done and considered as a separate item. The vote will be a roll call vote.

Item 1

Charge-off of delinquent resident accounts for February 2021

Item 2

Financial Statements for February 2021

Item 3

Vacancy and Turnover Summary for February 2021

Item 4

Minutes of February 25, 2021 regular meeting

RECOMMENDATION: Approval as submitted by staff.

Commissioner Whitehouse moved and Commissioner Braun seconded approval of the Consent Agenda. A vote being called, the ayes and nays were as follows:

Aye: Eric Braun, Niya Fonville, Arne Morris, Gregg Warren, Joe Whitehouse, Yolanda Winstead, Doris Wrench

Nay: None

The Consent Agenda has been adopted.

COVID Update

Mr. Felton said staff is not aware of any employees who have COVID issues at this time. There have also been no reported issues with residents in the past two weeks.

Ms. Cruz, RHA's Resident Service Coordinator, is working with Allegiance Health to set up vaccination clinics at the senior buildings. Over the last few weeks, residents at Glenwood Towers, Carriage House, Parkview Manor and Carousel Place were vaccinated. She is also working with a group to get other residents and staff vaccinated at other RHA properties. Residents must sign up by tomorrow to receive their vaccination on Tuesday.

RAD conversion

Dominion Due Diligence ("DDD") completed revising the e-tool that staff needed to submit to HUD. The Concept Call was requested earlier this week (nothing has been scheduled yet).

DDD should be able to tell staff tomorrow if RHA meets obsolescence at Heritage Park. Once that is known, staff can move forward with the demo/dispo application to HUD and the Financing Plan.

Heritage Redevelopment

Staff has started the meetings with the residents and public regarding the redevelopment of Heritage Park. Staff had the warm-up meetings a few weeks ago and they went well (one was in-person and one was via Zoom). There were two focus group meetings with residents this week and they also went well. There is a public Zoom meeting scheduled for tomorrow at 12:00 pm.

Building Futures Initiative

This is a pilot program that HUD started last year. RHA was selected to be part of this program —1 of 3 in the country. RHA does not receive additional funding for being part of this program.

The focus of this program is to build partnerships between PHAs and other entities to get residents jobs in the construction field. Staff has been talking with Enterprise, a HUD consultant, and Wake Tech about scholarships for residents. Ms. Cruz distributed this information to the residents and there were 21 residents who expressed interest in the scholarships.

Building Futures Initiative is focusing on construction jobs and most of the people interested in the scholarships are women who are not interested in the construction field. Staff discussed writing articles about different women at RHA who have a role in the construction field. Staff will also share the article about Yolanda Winstead, Executive Director of DHIC and also on the RHA Board, with the residents. This will give an overview of the types of careers that are available in the construction field.

Enterprise would like to talk with some of the Board members. They would like a way to leverage some of the Board's connections to further push this program along. Enterprise will be in contact with those Commissioners to answer questions. Once they have everything, they will do a presentation to the Board about the program. Staff will try to be ready for the June Board Meeting. However, it may need to be delayed until August since there isn't a Board Meeting in July.

Raleigh Nursey School

Staff is setting up a meeting with Raleigh Nursery school to discuss their reopening plans. They are planning to open in the April/May timeframe with different programs than they had before to try to

accommodate their patrons and staff. They would like to discuss a rent structure similar to what RHA did with Arts Together. Staff will meet with them and work through those plans to bring to the Board for approval.

Arts Together

A few months ago the Board approved a restructured lease with Arts Together. One item that was added was to allow Arts Together to reduce their monthly rent by working with RHA residents at the properties. The more residents they had in their program, the more they could reduce their rent. Arts Together saw 22 residents over this past quarter for classes and reduced their rent for that time by \$1,100. It appears to be working well for everyone involved.

900 Haynes Street HVAC

The roof top units were replaced at 900 Haynes Street a few weeks ago. During installation, they discovered that the trunk line on one side of the building had come apart. In order to repair that, they had to cut out a large portion of the walls in the Central Office copier room and move a lot of stuff out for contractors to get access to the shaft. Everything is almost put back and installation of the HVAC is complete.

Lunch & Learn

A big thank you goes to Liz Edgerton and Suzy Bryan for hosting the Lunch & Learn session earlier this month. Please let staff know if you have other topics you would like for the next Lunch & Learn.

Moving to Work

Moving to Work cohorts came out a couple of months ago. Staff does not feel RHA should apply for this even if a consultant is brought in. There are several things that staff are working on now and will be continuing with in the next couple of years:

- RHA is converting at least four properties to RAD this year which has a learning curve for the staff from the Management and Financial sides.
- Staff will then be converting at least two properties per year until a point is reached where it is no longer financially viable for RHA to convert the remaining properties.
- Working on the Heritage Park redevelopment.
- Starting a home purchasing program.
- Starting project based vouchers.
- Developing a Building Futures Initiative.

With the Moving to Work Cohort #3 work requirements, RHA could only put 50% of its units under the program. There would be a study to evaluate work requirements and their effects on the family. RHA already has over 300 units that have a work requirement or work preference. RHA is also part of a study with UNC Chapel Hill which is evaluating work requirements in public housing. The MOA is through September 2021 so staff hopes to have the results around that time or shortly after.

April Board Meeting

Staff is planning to have a Board meeting on April 29th, time to be determined. A resolution is needed to close the bond deal for DHIC on Primavera and there are two more deals which are seeking an inducement resolution so they can submit their application early May.

Commissioner Warren requested that the developers who are requesting an inducement resolution provide RHA with a statement of consistency with the City of Raleigh's Scattered Site Housing Policy at the outset.

There is a spreadsheet in the Board Portal that shows all of the bond deals that RHA has at this time. It shows the number of units and amount of the bonds.

Commissioner Whitehouse asked about the Leased Housing Application Activity in their monthly report. He said there is an item that says the number of applicants on the Section 8 waiting list is 7,952. Then it states the number of applicants on the Section 8 waiting list with a Wake County preference. Where is that area for? Is that an area greater than Wake County?

Mr. Felton said that number is outside of Wake County. RHA has a preference to serve the residents who live in Wake County. Anyone applying outside of Wake County make up that 7,952 number (it can cover the entire country). There are 2,200 applicants inside of Wake County and the 7,952 includes that 2,200 number.

Commissioner Whitehouse asked Mr. Felton to explain the income discrepancy numbers. Mr. Felton said income discrepancy is when someone states they have zero income and then staff discovers, through the recertification process, that they do have income. Staff will then go back and calculate what they owe RHA in back rent, since this is considered fraud. They can either pay that money back or leave the program.

Mr. Francis said sometimes it isn't discovered until late in their tenancy and it is much more difficult to collect after they are out of the program. There is a statute that allows PHAs to garnish their tax refunds, etc. RHA will pursue garnishment if staff is not able to collect the money voluntarily.

Commissioner Whitehouse asked if this is what some of the write offs include as well. Mr. Felton said the write-offs are for public housing. Income Discrepancy is Section 8 money.

Commissioner Whitehouse asked if staff could include what the new-hire positions are in the Maintenance monthly report. Mr. Felton said they can include the positions on the next report.

Commissioner Whitehouse asked if RHA has a brokerage license as an agency (or do the individual leasing employees need to have their broker's license?).

Mr. Felton said RHA does not have a broker's license as an agency. However, Donna Perez has her broker's license.

REPOSITIONING COMMITTEE REPORT

Commissioner Warren said the committee is continuing to have productive meetings. The last meeting was March 17th and they reviewed the site plans and talked about phasing of construction for Heritage Park. One of the emphases is to reduce the relocation obligations of RHA and look at how RHA can phase the development so that residents can move on-site where there are vacant units. The schematic plans are likely going to change as discussions progress. However, they give a good sense of the direction that RHA would like to pursue. RHA staff is allowing vacant units at Heritage Park remain vacant, which is another way to reduce the relocation burden. RHA is approximately 1 ½ years away from beginning construction (which will be in the northwest corner and will comprise approximately 110 units).

The committee will be meeting again the first week of April (all Board Commissioners are welcome to attend). The intent of this upcoming meeting is to focus on the request for Development Proposals.

However, that may change, depending on the conversations this evening regarding CAD and OCAC and where RHA goes with the non-profit entity that will be partnering for the redevelopment.

Commissioner Warren commended the RHA staff for initiating the communications, both with residents as well as opening up the process to others. He asked Mr. Felton to update the Board on the communications he's had with outside entities.

Mr. Felton said he has reached out to all City Council Members and talked to Corey Branch last week. He had a call set up with Patrick Buffkin that will need to be rescheduled due to a scheduling conflict. He also has a call set up with Congresswoman Ross for April 1st to talk about Heritage Park along with a few other items. Octavia Rainey sent a list of people to contact and he will reach out to them as well.

Commissioner Warren asked if Mr. Felton is talking about rezoning during these discussions (if so, maybe Mack Paul should be involved in some of those discussions). Mr. Felton said the three points he's trying to focus on with everyone are:

- Relocation: where will people go during construction?
- Will the Heritage Park residents be able to return after completion?
- What are the income limits?

Mr. Felton said those are the main questions he has been getting during the discussions.

Commissioner Warren asked if Mr. Felton is getting into the rezoning issues with regard to the City Council discussions. Mr. Felton said he is not getting deep into rezoning discussions with the City Council.

Commissioner Warren said oftentimes rezoning attorneys work directly with the developer to make those contacts with the City Council.

Commissioner Whitehouse suggested there be follow-up meetings with the City Council once there are specifics regarding rezoning.

Commissioner Braun suggested making sure if it comes up in discussion to let them know it hasn't been filed yet.

Mr. Felton said someone did ask if it had been filed. He said he's been keeping the discussions very broad and that there will be more discussions about it later and that RHA would be filing for rezoning.

NEW BUSINESS

Mr. Felton said in 2006 RHA established an IT policy. A revision was last brought to the Board in 2013. Due to the COVID-19 pandemic last year, laptop computers were purchased for staff to be able to work remotely. Other items were also purchased to facilitate the additional internet usage and connectivity to the main office.

Staff reviewed the policy and felt a few items needed to be updated. The policy is behind the resolution. Highlights of the revision include:

- Staff should not use their personal accessories on RHA equipment.
- Staff must store their data and files on RHA equipment or network shares. They cannot use personal cloud or other devices to store data.

- Staff should sign a remote working agreement before IT will connect them.
- Staff should only use an RHA issued laptop/computer when working remotely.

There is a copy of the Remote Work Agreement behind the policy.

Commissioner Morris asked about what is considered a “personal accessory”. Mr. Felton said a thumb drive, speakers, keyboards, or an external CD drive would be considered a personal accessory.

Commissioner Whitehouse asked if RHA backs up in the cloud. Mr. Felton said RHA does regular hard backups—not in the cloud.

Commissioner Whitehouse suggested that the IT Department look into backing up in the cloud. Mr. Felton said he would ask IT to check on that.

Commissioner Whitehouse suggested having regular training sessions with the RHA employees on the emails that are not safe to open because they can spread viruses throughout the agency. Mr. Felton said the IT Department regularly sends out messages about what to look for with those types of emails.

THE HOUSING AUTHORITY OF THE CITY OF RALEIGH
RESOLUTION NO. 23 (2021)

WHEREAS, the Board of Commissioners of the Housing Authority of the City of Raleigh (“RHA”) approved Resolution 18 on February 23, 2006 establishing an Information Technology (“IT”) Policy; and

WHEREAS, RHA updated the IT Policy to reflect changes in technology with Resolution 32 on May 30, 2013; and

WHEREAS, due to the emergency declaration of the COVID 19 pandemic on March 11, 2020, operating functions were impacted causing the necessity for remote work access; and

WHEREAS, employees were issued equipment and remote access to RHA’s network thereby requiring an update to the IT Policy with the addition of section *6.4 Working Remotely*; and

WHEREAS, staff has drafted a revised IT Policy which is attached to this resolution and thereby incorporated herein;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE CITY OF RALEIGH that the attached Information Technology Policy become effective immediately.

Commissioner Fonville moved and Commissioner Winstead 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, Yolanda Winstead, Doris Wrench

Nay: None

Resolution No. 23 (2021) has been adopted.

Mr. Felton said in April 2019 RHA was awarded a Capital Fund Program Grant with funding of \$3,915,905. There was additional money added later to bring the total grant amount to \$3,937, 486.

The revised performance and evaluation report is attached behind the resolution. Staff has obligated \$3.1 million and expended \$2.5 million.

The revisions include:

- Adding \$400,000 to RAD Conversion Costs (taken out of operations).
- RHA received an extra year extension from a COVID waiver. This allows RHA until October 2022 to obligate and expend it all by 2024.

HOUSING AUTHORITY OF THE CITY OF RALEIGH
RESOLUTION NO. 24 (2021)

WHEREAS, the Housing Authority of the City of Raleigh (“RHA”) receives annual funding for the Capital Fund Program from the Department of Housing and Urban Development (“HUD”); and

WHEREAS, the Capital Fund Program funding allocations are used for capital improvements to the public housing inventory; and

WHEREAS, the capital improvements at each public housing development were identified through the input of staff and discussion with public housing residents, finalized and submitted to HUD as part of the agency’s annual plan; and

WHEREAS, RHA was awarded Capital Fund Program Grant NC19P00250119 in April 2019 with funding allocations totaling \$3,915,905.00; and

WHEREAS, subsequent to the inception of grant eligibility, the funding allocations increased by \$21,581.00, with final funding allocations totaling \$3,937,486.00; and

WHEREAS, in accordance with HUD regulations, revisions to the latest approved annual statement must be accompanied by a performance and evaluation report to HUD for approval; and

WHEREAS, staff is recommending that the attached performance and evaluation report for Capital Fund Program Grant NC19P00250119 be approved, which by reference is made part of this resolution;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE CITY OF RALEIGH that the performance and evaluation report for Capital Fund Program Grant NC19P00250119 be approved for submission to the Department of Housing and Urban Development.

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, Yolanda Winstead, Doris Wrench

Nay: None

Resolution No. 24 (2021) has been adopted.

Mr. Felton said in 2013 HUD decoupled the 5-Year Plan Capital Fund Program Plan from the Agency Plan. Every year, when RHA is awarded a new grant, staff must update the 5-Year Plan to reflect the amount of the grant. This is a rolling plan which gets updated each year.

Commissioner Whitehouse asked if HUD looks very hard at the future years or do they focus on the first couple of years. Mr. Felton said he doesn't know for sure. However, he thinks they probably focus on the first couple of years because it can vary so much. It's all based on funding from Congress.

HOUSING AUTHORITY OF THE CITY OF RALEIGH
RESOLUTION NO. 25 (2021)

WHEREAS, the Housing Authority of the City of Raleigh ("RHA") Capital Fund Program's five-year action plan will be submitted to the Department of Housing and Urban Development ("HUD") as part of RHA's agency plan; and

WHEREAS, the Capital Fund Program's Final Rule, effective November 25, 2013, stipulates that the submission requirements for the program were decoupled from the agency plan which includes the five-year action plan; and

WHEREAS, staff has prepared a five-year action plan in compliance with the Capital Fund Program's Final Rule; and

WHEREAS, the five-year action plan must be submitted to the Board of Commissioners for approval; and

WHEREAS, staff is recommending that the attached five-year action plan for CFP be approved as presented by the report attached hereto and by reference is made part of this resolution;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE CITY OF RALEIGH that the five-year action plan for Capital Fund Program be approved for submission to the Department of Housing and Urban Development.

Commissioner Warren moved and Commissioner Whitehouse 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, Yolanda Winstead, Doris Wrench

Nay: None

Resolution No. 25 (2021) has been adopted.

Mr. Felton said in February 2021, RHA was awarded a Capital Fund Program Grant with funding of \$4,298,714. With this resolution, the Board is approving the P&E which will allow HUD to setup the grant so that staff can draw down the money.

A breakdown of how staff is budgeting for the grant includes:

- \$1,000,000 for the redevelopment of Heritage Park.
- \$375,000 for fire alarm replacement at Carriage House.
- \$115,000 for security cameras at Mayview.
- \$300,000 for RAD conversions.

Due to COVID-19, RHA has an additional year to obligate these funds, so staff must have them obligated by April 2024 and expended by April 2026.

HOUSING AUTHORITY OF THE CITY OF RALEIGH
RESOLUTION NO. 26 (2021)

WHEREAS, the Housing Authority of the City of Raleigh (“RHA”) receives annual funding for the Capital Fund Program from the Department of Housing and Urban Development (“HUD”); and

WHEREAS, the Capital Fund Program funding allocations are used for capital improvements to the public housing inventory; and

WHEREAS, the capital improvements at each public housing development were identified through the input of staff and discussion with public housing residents, finalized and submitted to HUD as part of the agency’s annual plan; and

WHEREAS, RHA was awarded Capital Fund Program Grant NC19P00250121 in February 2021 with funding allocations totaling \$4,298,714.00; and

WHEREAS, in accordance with HUD regulations, an annual statement for the newly awarded grant must be submitted to HUD for approval; and

WHEREAS, staff is recommending that the attached original annual statement for Capital Fund Program Grant NC19P00250121 be approved, which by reference is made part of this resolution;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE CITY OF RALEIGH that the performance and evaluation report for Capital Fund Program Grant NC19P00250121 be approved for submission to the Department of Housing and Urban Development.

Commissioner Braun moved and Commissioner Wrench 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, Yolanda Winstead, Doris Wrench

Nay: None

Resolution No. 26 (2021) has been adopted.

DISCUSSION on CAD and OCAC and OVERVIEW OF DOCUMENTS

Mr. Felton said staff placed CAD documents in the Board Portal on the RHA website for the Board's review.

Mr. Felton said there have been a lot of questions about CAD and Oak City Affordable Communities (OCAC). The goal of tonight's discussion is to give a history of CAD, its mission, and how it has worked with RHA over the years.

CAD has always had the same mission as RHA, which is to provide affordable housing in Raleigh. It was originally started in the mid-1980s as "Raleigh Housing Authority Developments" and it is a non-profit arm of RHA. Most housing authorities have a non-profit entity. It allows PHAs more flexibility because the non-profit can do things that PHAs can't.

The name was changed in 1999 to "Capitol Area Developments, Inc.". The reason for the name change is because of the stigma from the name "Raleigh Housing Authority" from the deaths that occurred at Walnut Terrace in 1992.

The Board Directors of CAD are:

Joel Whitley

- On the Board for over 20 years.
- Retired Maintenance Director of RHA.

Hilda Holdsclaw

- On the Board for over 20 years.
- Retired Deputy Executive Director/Finance Director of RHA.

Suzy Bryan

- On the Board for 5 years.
- RHA employee for over 20 years.
- Current Assistant Director of Finance.

TJ Barringer

- On the Board for 5 years.
- Works at Kane Realty.

Arne Morris

- Newly-elected to the CAD Board.
- On the RHA Board for over 15 years.
- Current Board Chair for RHA.

CAD owns a total of 484 units:

- Stonybrook Apartments (106 units).
- 59 units at Capitol Park.
- 27 units at Chavis Heights.
- 147 units at Walnut Terrace.
- Parkview Manor (90 units).
- Owns 0.1% of Carousel Place and will purchase it at the end of this year (55 units).

CAD was an integral part of the success of the HOPE VI redevelopments. Capitol Park was a huge success for CAD, RHA, and the City of Raleigh. The goal of the HOPE VI program was to have mixed-use units on the sites so they provide affordable market-rate units as well and CAD owns those affordable market rate units.

The CAD documents provided in the Board Portal include:

- Articles of Incorporation from 1999.
- By-Laws from 2010.
- Management Agreements. RHA is the exclusive manager for all of the CAD properties.
 - Halifax Senior Housing (Parkview Manor)
 - Capitol Park
 - Chavis Heights
 - Chavis Senior Housing (Carousel Place)
 - Walnut Terrace
 - Stonybrook Apartments
- Two Loan Agreements. RHA loaned CAD money to help make the affordable market-rate units affordable. The loans are no-interest loans at a total of \$1.7 million.
 - Parkview Manor
 - Walnut Terrace(The control that RHA has over CAD is through the loan agreement and management agreement documents. If CAD were to fold or sever those management agreements, the loans would be due at that time. That is where the ties are between the management agreements and the loan agreements.)
- Reverter clause for Walnut Terrace. If CAD were to fold or change its mission, that property would revert back to RHA. No reverter clauses were found for Capitol Park or Chavis Heights. However, if the RHA Board would prefer, the CAD Board would likely agree to have a reverter or first right of refusal on those properties. They are a partner with RHA and that would be beneficial to both parties.
- Walnut Terrace final budget to show what part is RHA and what part is CAD.
- Organizational chart that shows OCAC and how it relates to the other entities of RHA. All of the RAD communities will be under OCAC and all of the affordable market-rate communities are under CAD.
- HUD information on the RAD ownership structure. This is the way that EJP suggested RHA structure its RAD ownership.
- RAD timeline.

These documents were put in the portal for the RHA Board to be able to review. Staff is attempting to schedule a presentation with EJP to talk about the ownership structure of RAD and their recommendation to create OCAC.

Commissioner Whitehouse asked about the fees that RHA gets from CAD on an annual basis. Mr. Felton said he doesn't know exactly but will find that answer for the Board.

Commissioner Warren asked if CAD has approximately \$9 million of unrestricted funds. Mr. Felton said that is correct.

Commissioner Warren asked how CAD accumulated that money. Mr. Felton said it was through the operations of the properties they own.

Commissioner Warren asked if CAD has any debt. Mr. Felton said they have their internal debt with RHA. They have approximately \$4.5 million of debt with Walnut Terrace and approximately \$900,000 of debt with Parkview Manor (with what once was First Tennessee Bank).

Commissioner Warren clarified that when CAD started it had zero dollars from RHA. Mr. Felton said that is correct.

Commissioner Warren asked if it earned \$9 million just through efficient management. Mr. Felton said it has also made money through development fees since they were the developer for Capitol Park, Chavis Heights, and Walnut Terrace.

Commissioner Morris said in one of those, most of the developer fee was put back into the project. Mr. Felton said for Walnut Terrace, the developer fee was \$5.3 million and CAD put \$3.9 million back into the property. CAD also put money back into the property at Capitol Park (the reason why RHA was able to brick the townhouses). That was one of the reasons why RHA used CAD for the HOPE VI developments because when the early HOPE VI developments were being built, a lot of the PHAs paid millions of dollars in developer fees to outside developers. By using CAD as a developer, RHA was able to keep the money in Raleigh and CAD had a vested interest in the property.

Commissioner Braun asked if CAD has a strategic plan for the \$9 million. Does it consider itself a property management company?

Commissioner Morris said that RHA manages the properties. Mr. Felton said that is correct, RHA manages the properties. There are no CAD employees.

Commissioner Morris said it's like a holding company.

Commissioner Braun asked how CAD expands the mission of RHA.

Mr. Felton said the plan for the money is to use it at Heritage Park as part of the redevelopment. The original thought was to do something similar to Walnut Terrace in that some of the units would be owned by CAD and some would be owned by another entity. Now that the plan is to use tax credits, staff would like to find a place where CAD can utilize those funds. If it's not at Heritage Park, then it can be somewhere else.

Mr. Felton said where CAD furthers the mission of RHA, is that they provided mixed-income units at Capitol Park as a part of the HOPE VI program. RHA and CAD together are able to provide housing for everyone from 0 – 80% AMI. In other words, the people of Raleigh can be housed as they're working their way up and out of poverty. CAD helps house the "missing middle" population – the people between 60 - 80% AMI. These are people who are working and can't go to market-rate apartments and their only option might be to quit working and try to get a Section 8 voucher (that has a long wait list).

Commissioner Warren suggested that could be accomplished by the new entity as well (OCAC). He agrees that mixed income is great. However, he doesn't see that it's exclusive to CAD. He said any non-profit that RHA creates can do that.

Commissioner Warren said he doesn't think that just because CAD was involved in successful mixed-income projects, it should be allowed to go on its way without any direct control by the RHA Board.

Mr. Felton said CAD would like to partner with RHA at Heritage Park like they've done at Capitol Park, Chavis Heights, and Walnut Terrace. There probably could be other 501c3 entities set up. However, CAD is already set up and they have \$9 million that they were saving for that redevelopment. He doesn't think they should be discounted as partnering on that project.

Commissioner Braun asked where CAD would fit into the Heritage Park redevelopment financing. Mr. Felton said he doesn't know exactly how they would fit in with the tax credits. They might be able to help provide some gap-funding. At the last Repositioning Committee Meeting, it was mentioned that the 32-unit building on the corner of the site is a possibility for CAD to build. There are opportunities for CAD and it's just a matter of finding the right place.

Mr. Felton said it could also be beneficial for CAD to get the tax credit experience and assist RHA with that for future tax credit properties.

Commissioner Warren said what he thinks will happen is that to do tax credit developments, RHA, CAD or OCAC will need to create wholly-owned, for-profit entities that will service the co-managing member of the new LLCs. For each one of those LLCs that owns property there will be a single-purpose entity and RHA, CAD or OCAC, by owning all of the stock, will be able to control the development. He doesn't think that they will find many syndicators wanting to have CAD or OCAC serve as the managing member. The way the HOPE VI projects were handled are not the industry-standard now. Furthermore, there is less equity to raise. Either CAD or OCAC can create those for-profits affiliates. However, his question is why RHA would create two non-profits. Why doesn't RHA just have one super non-profit that has greater RHA control at Heritage Park and elsewhere?

Commissioner Warren said he appreciates the effort to create OCAC which is solely controlled by RHA. He thinks it complicates things because every deal that RHA does will have a separate ownership structure. To say that CAD and OCAC can be separated out is probably not economically how it will end up.

Commissioner Winstead said, with the assets that CAD has, RHA will need a partner that can provide some guarantees to the tax credit investor:

- Construction completion guarantees.
- Credit delivery guarantees.
- Recapture guarantees.

Commissioner Winstead said RHA can't pledge its assets so if CAD has the liquidity of that net asset then that could be a role for CAD in the tax credit structures.

Mr. Felton said when CAD was the developer for Parkview Manor and Carousel Place the rules for tax credits were different. Now, to be a tax credit developer, you must have done a tax credit deal within the last five years in order to qualify to do another one (or you need to partner with someone who has that experience). Whoever the main developer is that has the tax credit experience must stay in the deal for two years afterwards. Commissioner Winstead they would need to stay in the deal for a minimum of two years, and then all of the investors would need to consent to that entity withdrawing.

Mr. Felton said CAD or OCAC could be that co-developer and the other would be the prime developer. Then OCAC or CAD could get the necessary experience from this tax credit deal so that in the future they could be their own developer.

Commissioner Warren said he thinks EJP can help with this. He thinks what will happen is that neither CAD nor OCAC will be in the ownership structure of the new deal. One of the two entities will create a wholly-owned, for-profit single-purpose entity that would be the co-managing member. RHA would get more equity if it's done that way and it will be more efficient.

Mr. Felton said he thought in a previous conversation it was determined that either CAD or OCAC could be a co-developer to get that experience and that was not unusual.

Commissioner Warren clarified that what was said was that, given RHA wholly owns it, and given the for-profit doesn't have any employees, RHA would have a development agreement back to CAD from the for-profit to provide staffing. That staffing would then qualify down the road as a qualified developer.

Mr. Felton said staff had talked this over with EJP and they said OCAC could be part of a tax credit deal as well as CAD. That is something that can be asked when EJP comes to the next Repositioning Committee Meeting.

Commissioner Braun had previously asked for an organizational chart that shows where CAD and OCAC fit into RHA. Mr. Felton showed him the chart that was created and placed on the Board Portal. It shows that all of the RAD properties would be under OCAC and CAD has all of the affordable market-rate units (and they aren't mixed together). It makes it easier from an organizational, tracking, and financing standpoint.

Commissioner Braun said that's not exactly what he asked for. He wanted to see a proposed structure for the Heritage Park redevelopment only. He wants to see how RHA proposes to handle that redevelopment. He would like to see the corporate structure of the proposed Heritage Park redevelopment. He would like to see a chart that would lay out every entity that would be involved in that.

Mr. Felton said that ties into the RFQ that staff put on the agenda for the next Repositioning Committee Meeting. The thought is that OCAC or CAD could partner with the tax credit developer to gain the experience for future RAD conversions. It's beneficial for RHA so that developer fees don't have to be paid in the future.

Commissioner Warren said he agrees and there will be a way for the entity or RHA to gain the experience. That is an important goal.

Commissioner Braun asked if there will be multiple tax credit deals. Mr. Felton said yes.

Mr. Felton said what was discussed was that the senior building would be one tax credit deal, the northwest quadrant would be a tax credit deal, and the other block would be a tax credit deal.

Mr. Felton asked Commissioner Warren about the unit count for a tax credit deal. Commissioner Warren said with a bond deal you would want to have more than 100 units and NCHFA said you can't do more than 200 units in a deal (but they are willing to waive that).

Commissioner Braun asked if CAD would be involved in each of those deals. Mr. Felton said that's something that would have to be determined to see what's in the best interest of RHA as well as CAD.

Commissioner Warren said he thinks having CAD in the deal at Heritage Park makes more sense than creating a new entity that has no assets. However, CAD would be in the deal as an owner of the for-profit managing members that it creates. CAD would not be a direct owner of any of the LLCs.

Commissioner Winstead said that's common practice. When RHA brings in the developer partner, part of the conversation will involve how to structure that ownership entity and who has what share of that.

Commissioner Warren suggested the Board review the documents in the Board Portal. It is very important to create a solid structure for RHA going forward.

Mr. Felton said he feels setting up OCAC for the RAD properties is a good idea. It compartmentalizes everything and makes it easier from a management standpoint. CAD was kept separate from RHA in the first place for liability purposes.

Commissioner Braun asked if OCAC is set up the way it's currently proposed, and OCAC's Board would be RHA's Board, why is that structure acceptable today—but there was so much concern in 2010 about that structure for CAD?

Commissioner Morris said when he was joining the Board, RHA was coming out of several lawsuits and CAD changed its name and separated itself to try to take itself out of some of the negativity that RHA was facing at the time.

Mr. Francis said Commissioner Morris made a good point. He suggested the Board review the HUD notice (dated June 2007) that was placed in the Board Portal. It talks about how HUD wants PHAs to maintain a separation between the affiliate entities and the PHAs. The same advice was given from EJP. The reason this is different from OCAC is because the assets being transferred through the RAD process into OCAC are already RHA's assets and liabilities of RHA. On the other hand, CAD has significant assets that are separate from RHA, and they are growing. In 2010, CAD had 260 units – today they have nearly 500 units. If those lines are blurred, it could be argued that CAD is just an instrumentality of RHA and someone could try to pierce the veil to go after some of those CAD assets.

Mr. Francis said there were other reasons that they were separated:

- CAD is a developer.
- CAD has market-rate and affordable market-rate units.
- RHA is primarily involved with low-income housing.

Mr. Felton said with RAD, each property is set up as a separate LLC which should also protect RHA.

Commissioner Whitehouse said he would be less concerned about the risk if they were set up correctly. He said this is a good conversation and the important thing is to determine what will be best for RHA in carrying on its mission and the best way to go forward – and what is the best method to do that.

Mr. Francis said the specific purpose of CAD is to provide more affordable housing. However, in practice, the mission of CAD has been to support RHA. It is staffed by the same employees and the people on the Board have deep ties to RHA. CAD has existed to support the initiatives of RHA. The suggestion of a divergence of interests is not something that has been experienced and that would be something new. It has not happened in the past and is not foreseen.

Commissioner Warren asked Mr. Felton where he would like to go with this conversation. Mr. Felton said it needs to be continued and staff can schedule a meeting with EJP to discuss it with them at the next Repositioning Committee Meeting.

Commissioner Braun suggested staff have a discussion with EJP ahead of time to fill them in on this debate and fill them in on CAD and OCAC and how they might fit into the redevelopment. He said he would like a chart of how the Heritage Park redevelopment will be structured.

ADJOURNMENT

There being no further business to come before the Board, the Chair declared the regular meeting adjourned at 6:40 p.m. The Board then went into Executive Session to discuss personnel matters.