

MINUTES OF A SPECIAL MEETING OF
THE HOUSING AUTHORITY OF THE CITY OF RALEIGH
BOARD OF COMMISSIONERS
JUNE 27, 2024

The members of the Board of Commissioners of the Housing Authority of the City of Raleigh, North Carolina met at 900 Haynes Street on Monday, June 17, 2024, at 5:00 p.m. The meeting was held via Zoom.

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

Present: Eric Braun, Valerie Crutchfield, Susan Ellinger, Arne Morris, Gregg Warren, Yolanda Winstead.

Absent: Niya Fonville-Swint, Arne Morris, Bahati Mutisya, Joe Whitehouse.

Visitors: Charles Francis, Francis Law Firm, PLLC; Reuter Walton Development: Jared Ackmann, Paul Keenan.

RHA Staff: Ashley Lommers-Johnson, Gwen Wall.

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

RECOGNITION OF VISITORS

The Board Vice Chair welcomed the visitors to the meeting.

PUBLIC COMMENTS

There were no public comments today.

NEW BUSINESS

Mr. Lommers-Johnson said this resolution is inducement resolution for up to \$36 million in multifamily housing revenue bonds for Garner apartments. They are non-recourse bonds so if the developer were to default on these bonds, RHA is not financially responsible.

Garner apartments is a 224 unit family property located at 1420 Garner. The developer is Reuter Walton Development LLC out of Minnesota. This property will be their first bond deal in Raleigh. The property includes:

- 64 one-bedroom units
- 92 two-bedroom units
- 68 three-bedroom units
- All at 60% of area median income
- Net rents will range from \$1,311 to \$1,803
- The property is required to accept housing choice vouchers due to a requirement of the 4% tax credit program.

- The total project is approximately \$70 million, including funding from bonds, permanent financing, 4% tax credits, and deferred developer fees.
- Amenities will include
 - community room,
 - exercise room,
 - playground and
 - covered and surface parking.

The developer is willing to include a preference in the tenant selection plan for RHA residents displaced due to redevelopment.

This has been reviewed by our legal counsel with no exceptions.

Commissioner Warren asked if they have submitted any requests to the city for financing – or will they require any.

Mr. Keenan said they have not submitted any nor will they require any.

Commissioner Warren said you might be submitting this application fairly early in your process. I don't think that the inducement resolution is required for some time. I was particularly struck by the lack of information about your design and layout. The FIT test that you showed us in your application showed us a sea of parking surrounded by three very long buildings. I'm not in support of this project right now. I think that we, as an organization, should have more detail about what you're proposing, to make sure that it's going to be an asset to the community.

Mr. Keenan said you're correct that we have three different buildings on the site. The primary reason for that is that we're working with a significant slope change from north to south and we needed to break up the buildings for that reason, and to also allow for areas to get utilities into the site. We originally thought about proposing one single building but that was proven to be too difficult with the grade change and getting utilities into the site.

Commissioner Winstead said it looks to me like your operating expenses were much higher than was allowed under the QAP. Under 2024 QAP, 3800 is the max without reserves and supportive services and you were at almost 4800. I was curious how you were going to deal with that. It didn't appear that your replacement reserves were escalating at 4%, as required under the QAP. And I noticed you have 224 units, but I believe you would have to get approval before you submit your application for the agency to do more than 200. I don't know if you had looked at those issues already.

Mr. Keenan said we have approval from the agency on going over 200 units. We will definitely drill down on our expenses. We're experiencing quite a bit of increase in expenses in terms of property insurance and some other areas in our portfolio so we've been underwriting a bit higher. If we can reduce expenses, that's better for the project and for the underwriting. On the escalation, you may be right. We typically escalate our expenses at 3% so I'd have to double check to see if that should be at 4%.

Commissioner Braun asked if these questions could be addressed later while still voting on the resolution this evening.

Commissioner Winstead said, from an underwriting perspective, it's up to the developer to make their deal work. If we were to approve the resolution, if it's not a financially feasible transaction, then the developer would need to figure that all out and move forward or not. I don't think my questions give me pause not to move forward but it's up to the applicant if they want to take more time.

Commissioner Warren said I'd welcome a more thoughtful design.

Commissioner Braun asked the developer if they would like to come back in a couple months with some more fleshed out ideas, or would you prefer that we take action tonight.

Mr. Keenan said we prefer that you take action tonight. We still need to go through the city entitlement process and there'll be a lot of time for review and change there. We are under a tighter timeline with our seller and have certain obligations under our purchase agreement to make progress in the financing. So, with that consideration, we would prefer to move forward tonight.

HOUSING AUTHORITY OF THE CITY OF RALEIGH
RESOLUTION NO. 41 (2024)

RESOLUTION GIVING PRELIMINARY APPROVAL TO ISSUANCE OF
MULTIFAMILY HOUSING REVENUE BONDS (GARNER APARTMENTS)

WHEREAS, the Board of Commissioners of the Housing Authority of the City of Raleigh, North Carolina (the "Authority") held a regular meeting at 5:00 p.m. on the 27th day of June, 2024; 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, Reuter Walton Development LLC, a Minnesota 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 224-unit multifamily housing development to be known as Garner Apartments and located at approximately 1420 Garner 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 Braun moved and Commissioner Winstead seconded approval of the foregoing resolution. A vote being called, the ayes and nays were as follows:

Aye: Eric Braun, Valerie Crutchfield, Susan Ellinger, Yolanda Winstead.

Nay: Gregg Warren.

Resolution No. 41 (2024) has been adopted.

ADJOURNMENT

There being no further business to come before the Board, the RHA Board Meeting adjourned at 12:36 pm.