MINUTES OF THE REGULAR BOARD MEETING
HOUSING AUTHORITY OF THE CITY OF DURHAM
Durham Housing Authority
330 E. Main Street Durham, North Carolina 27701
November 20, 2017

AGENDA ITEM I
Call to Order

Present:
Daniel C. Hudgins
Thomas M. Niemann
Robert “Bo” Glenn
Gloria M. Nottingham
Patrice Y. Nelson
Steve Schewel, City Council Liaison

Conference In:
Larry Yon, II

Absent:
George K. Quick

Staff Present:
Anthony Scott, CEO
Barbara Newman
Sabrina Singal
Meredith Daye
Elvert Dorsey
Pamela Davis
Denita Johnson
Charles Lyons
Doris Jackson

Also Present:
Eric Pristell, Attorney, The Banks Law Firm

The meeting was called to order by the Chair, Daniel C. Hudgins at 5:32 p.m.

A quorum was present and the Regular Meeting was called into session.

AGENDA ITEM II – GENERAL COMMENTS FROM THE PUBLIC
There were none.

AGENDA ITEM III -- CHANGES TO THE AGENDA
The Chair recommended that the Board hear the presentation regarding Lakeside Gardens Apartment Project.

. Mr. Simmons preceded as follows.

Mr. Simmons worked for a company called Related Affordable. He stated, “This is a subsidiary of a larger company called the Related Companies which was founded in the 1970s in affordable housing. The founder of the company is Steven Ross. He has since
diversified the business to include the broader companies like luxury rental developments in New York City to joint ventures in London and all sorts of things all over the country. However, we have also maintained our roots in affordable housing. We are devoted and committed to the preservation of existing affordable housing throughout the country."

The Lakeside Gardens Apartments is an existing 160 unit elderly tax credit deal that was built in 2002. Related Companies ("Related") purchased the partnership interests in the company in 2013. They are now working to recapitalize the project with tax exempt bonds to undertake renovation. They planned to keep the property affordable for the next 15 plus years. The existing affordability which is associated with the existing tax credits and tax exempt bonds under the first 15 year compliance period expires at the end of 2017. This makes it eligible for recapitalization using new bonds and credits. Related's proposal is to work with the housing authority and North Carolina Housing Finance (NCHF) for issuance of tax exempt bonds and 4% tax credits to finance the acquisition and renovation of the property. The renovations are about $4.5 million or approximately $39,000 per unit. The renovations include new unit interiors, new roofs, new HVAC units and significant improvements to the existing common areas (large community space, community room and fitness center, and some of the underutilized space). Related intends to modernize the underutilized space to a barber shop and salon.

A full application has been made to NCHFA for the 4% tax credits. Related is now seeking approval from the housing authority for the inducement resolution. If approved, they will go through the processes associated with this deal to include returning back to the housing authority to finalize the financing with closing sometime in March. Renovations will occur from April through December and complete construction within 13 months.

Mr. Simmons asked if there were any additional questions from the Board. The responses were as follows:

*Commissioner Glenn* asked about the 4% tax credit matter that was before congress and if he anticipated any problems. Mr. Simmons responded that the House version that was passed last week eliminates taxes and bonds. If it is passed by the Senate prior to closing this deal, this will cause problems. They are moving forward with business as usual in the meantime. The housing authority would not have any liability or commitment to issue the bonds until it is completed. As the developer, Related would pay the costs and reimburse the housing authority for any costs incurred if this was to fall apart due to legislation.

*Commissioner Hudgins* asked if all of the residents that are currently living in Lakeside Gardens would be able to continue to live there and how would they handle it in the process of a total renovation. Mr. Simmons responded that this would be a tenant in place rehab except for eight (8) units. The residents living in the other 152 units may be
out of their units from 9am to 5pm. The community room would be set up as a hospitality, food, etc. area. They will not be required to relocate off the site. Also, there will be no permanent relocation.

Anthony Scott reiterated that Mr. Simmons had stated that the 15 year tax credit period had expired in 2017; thus, they are now recapitalizing for another 15 years. He asked Mr. Simmons if there are other affordability restrictions on the property beyond the tax credit 15 year compliance period. Mr. Simmons responded that the only regulatory agreement currently on the property (affordability restriction) is the existing tax credit regulatory agreement. It has an extended use period of 30 total years so 15 past the end of 2017. That regulatory agreement contains the right to qualify contract. That is not something that they do or have done – but this is the only thing left.

Anthony Scott inferred that this new tax credit rule extends it another 30 years from 2018. Mr. Simmons agreed.

There were no additional questions. Therefore, the Chairman introduced the following resolution:

RESOLUTION NO. 3517

RESOLUTION AUTHORIZING PRELIMINARY APPROVAL FOR THE ISSUANCE OF MULTIFAMILY HOUSING REVENUE BONDS TO FINANCE THE ACQUISITION, REHABILITATION AND EQUIPPING OF AN AFFORDABLE HOUSING DEVELOPMENT – LAKESIDE GARDENS

WHEREAS, the Board of Commissioners of the Housing Authority of the City of Durham (the "Authority") met in Durham, North Carolina at 5:30 p.m. on the 20th day of November, 2017; 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 ... to provide grants, loans, interest supplements and other programs of financial assistance to public or private developers of housing for persons of low income, or moderate income, or low and moderate income"; and

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

WHEREAS, Lakeside Gardens Preservation, L.P., a North Carolina limited partnership or an another affiliated or related entity of Related Affordable, LLC (the “Borrower”), intends to provide low and moderate income housing in Durham; and

WHEREAS, the Borrower has requested that the Authority assist it in financing the acquisition, rehabilitation and equipping of a low and moderate income residential rental housing facility for seniors known as Lakeside Gardens Apartments, consisting of
approximately 160 units located at 820 Martin Luther King, Jr. Boulevard in Durham, North Carolina (the “Development”); and

WHEREAS, the Borrower has described to the Authority the benefits of the Development to the City of Durham and the State of North Carolina and has requested the Authority to agree to issue its housing revenue bonds in such amounts as may be necessary to finance the costs of acquiring, rehabilitating 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 DURHAM:

1. It is hereby found and determined that the Development will involve the acquisition, rehabilitation and equipping of low and moderate income housing facilities, and that therefore, pursuant to the terms and subject to the conditions hereinafter stated and the Act, the Authority agrees to assist the Borrower to finance the acquisition, rehabilitation and equipping of the Development by undertaking the issuance of the Authority’s multifamily housing revenue bonds (the “Bonds”) in an amount now estimated not to exceed Eleven Million Dollars ($11,000,000) 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 the regulations issued by the Internal Revenue Service pursuant to Section 150 of the Internal Revenue Code of 1986, as amended (the “Code”), which will permit the Authority and the Borrower to incur costs and to reimburse those costs with the proceeds of the Bonds.

3. The Authority and the Borrower may proceed with plans for the acquisition and rehabilitation of the Development, enter into contracts for the same, obtain interim construction financing therefor, and take such other steps as may be deemed appropriate in connection therewith. The Authority and the Borrower, as applicable, may be reimbursed from the proceeds of the Bonds for all qualifying costs so incurred by it as permitted by Internal Revenue Service Regulations Section 1.150-2.

4. The Bonds shall be issued in such series and amounts and upon such terms and conditions as are mutually agreed upon between the Authority and the Borrower. The Authority and the Borrower shall enter into a “financing agreement” pursuant to the Act for a term and upon 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 of Durham, but shall be payable solely from the revenues and other funds provided under the proposed agreements with the Borrower.

5. The Authority will proceed, upon the prior advice, consent and approval of the Borrower, bond counsel and the Authority’s counsel, to obtain approvals in connection with the issuance and sale of the Bonds, including, without limitation, from the City Council and Mayor of the City of Durham and the North Carolina Local Government Commission. The Authority’s agreement to proceed is based in part upon the 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.
6. It having been represented to the Authority that it is desirable to proceed with the acquisition, rehabilitation and equipping of the Development, the Authority agrees that the Borrower 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 Borrower 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 Borrower may be reimbursed from the proceeds of the Bonds, if and when issued, for all qualifying costs so incurred by it.

7. All obligations hereunder of the Authority are subject to the further agreement of the Authority and the Borrower 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, rehabilitation 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 Borrower, but if for any reason the Bonds are not issued, all such expenses shall be paid by the Borrower and the Authority shall have no responsibility therefor. It is understood and agreed by the Authority and the Borrower 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.

8. The Chief Executive Officer of the Authority and his designee(s) are hereby authorized and directed to take all actions in furtherance of the resolution and the issuance of the Bonds.


10. This resolution shall take effect immediately upon its passage.

Motion: Commissioner Niemann; Seconded: Commissioner Glenn; Approved: Unanimously

AGENDA ITEM IV – BOARD ACTION
Approval of the Minutes of the Board of Commissioners’ Regular Meeting held on October 26, 2017

Motion: Commissioner Nottingham; Seconded: Commissioner Glenn; Approved: Unanimously

AGENDA ITEM V -- PRESENTATIONS
• There were none

AGENDA ITEM VI -- CHIEF EXECUTIVE OFFICER’S BUSINESS REPORTS
In addition to Mr. Scott’s Executive Summary, he discussed the efforts involved with the securing of financing for the renovation of Morreene Road and Damar Court by the end of the calendar year. Approval of financing is currently scheduled for December 14th for Damar and a December 21st for Morreene Road. Also, Mr. Scott updated them on the following three (3) critical items that needed to be addressed:
(1) Approval of the Bonds in 2017: In preparation of a possible financing in 2018, they are taking proactive methods working to get the bonds approved in 2017 by escrowing those bonds so that they can be used in 2018 should we need to close in 2018. This keeps DHA in compliance with the agreement with FHA and the potential for the House version of the tax bill passing which would eliminate the opportunity to do 4% bonds altogether. DHA has received positive response from HUD to approve this approach. There will be a cost outside of this budget of approximately $16,000. (2) Compound Interests vs. Simple Interests: The deals were originally underwritten with compound interests. The more interests that is associated with this deal the better it is for our investor. The compound interest gives them a greater return on their investments. Simple interests which is a switch that was made in the deal would result in a project financing loss of approximately $400,000. DHA is asking HUD to waive this this requirement to maximize the the equality to the project. (3) Construction Manager: This hiring has been approved; however, DHA wants to ensure that HUD is agreeable to the hire.

DHA has been having daily conference calls to resolve these issues in conjunction with our partners. DHA does not expect that there will be a problem but wanted to share potentials with you.

Commissioner Hudgins asked if the Construction Manager has to be approved before the Board prior to closing. Mr. Scott responded that they did not have to approve. This is just in a contract issue. Mr. Scott was not sure if it had to be approved before HUD before the finance closing; however, they want to ensure that HUD is agreeable. Commissioner Hudgins asked if HUD did not approve the compound interests if this would be a problem for getting the bond issued. Mr. Scott responded that it would be a $400,000 problem.

Commissioner Hudgins asked that Mr. Scott keep the board updated and advise them if their assistance is needed to make calls, send e-mails, etc.

There were no additional questions or comments regarding the Executive Summary or this topic.

VII. GENERAL BUSINESS ACTION ITEMS (COMMITTEE REPORTS)
Chairman Hudgins stated that this is for the purpose of receiving and approving reports from the four (4) standing committees. The information from these committees were also included in the previously distributed board package. The reports were as follows:

Development Committee Report (Chaired by Commissioner Thomas Niemann)
Chairman Hudgins advised that some portion of the Development Committee had been discussed earlier during the meeting.

Commissioner Niemann recommended approval of the October 12, 2017 minutes for acceptance.

Motion: Commissioner Glenn; Seconded: Commissioner Nottingham;
Approved: Unanimously
Commissioner Niemann recommended acceptance of the “draft” November 9, 2017 minutes which would be submitted for approval at the December meeting. He requested an update from Meredith Daye regarding the construction loan payout with Self-Help. Ms. Daye said she had spoken with the commercial loan officer for Self-Help who agreed to allow DHA to close the transaction on November 30th. There were some issues with the way funds are wired during the holiday from the North Carolina Financing Agency. Although DHA will not be in default; they will receive some interest penalties per diem.

Commissioner Glenn had questions regarding the Few Gardens HOPE VI lots. He asked about the status of on the remaining lots in which there were no bidders on the previous bids. Ms. Daye confirmed that they did not receive any additional proposals for the homebuilders on the 37 lots. The plans are to move forward with Habitat and keep the solicitation open to attract other builders. Commissioner Glenn recommended that if no other home builders come forward to sell those remaining lots to Habitat. Ms. Daye promised to provide an update at the next development committee meeting if there are any additional responses received.

Commissioner Hudgins asked how close was Habitat in being able to take possession of the new construction. Mr. Scott advised that DHA was starting the HUD process; however, there are a series of documents that have to be completed. DHA is having EJP work with Habitat to ensure that Ms. Daye can focus on finance closings of Morreene and Damar.

Finance Committee Report (Chaired by Commissioner George Quick was not present)
There were no minutes to approve. Barbara Newman was asked to explain the changes in the budget for Development Ventures, Inc. (DVI). Ms. Newman advised that she believed that for the past few years DVI had been budged as a single entity where Administrative Cost was being charged to DVI. DVI was placed into the Central Office Cost Center (COC) where it should have been. The COCC has a development department in which all of the development employees are those who manage the instrumentality. Those employees were budgeted under DVI even though DVI had no employees. Therefore, they were moved back into the COCC.

Commissioner Hudgins asked if what we would do is cost allocate their time against the DVI revenue? Ms. Newman responded that there is a resources sharing agreement in place where DVI will pay the DHA COCC based on an agreement that we can go back in and renew every year. Instead of Administrative Cost charges there are going to be a management fee or resource sharing fee that is charged.

Tom Niemann received confirmation from Ms. Newman that there is a Resource Sharing Agreement between DHA and DVI and that a portion of each of the DHA employees time is being allocated towards development activities.
There was additional discussion regarding this topic. Eric Pristell said the Resource Sharing Agreement needs to be administered with HUD’s rule and is more of an administrative matter. It was confirmed that prior DHA audit issues occurred because agreement did not exist. Ms. Newman confirmed that this agreement clarifies the allocation of funding and becomes the basis for the housing authority’s audit. The board reviews it annually.

Commissioner Glenn reiterated that DHA’s attorney had reviewed this decision to move Development Ventures back into the COCC and he finds it in full compliance with all HUD regulations, statutory law, and regulations by the state and others. Mr. Pristell confirmed that he had not reviewed the move. He was asked to review it by the next board meeting.

Also, Mr. Pristell said that it would be appropriate for the Finance Committee to periodically receive an update on the Resource Sharing Agreement between the instrumentalities.

Operations Committee Report (Chaired by Commissioner Bo Glenn)

In addition, Commissioner Glenn, mentioned the report by the Resident Safety Security Department listing the work that had been performed by staff. He said this information is a great tool as a reference for incidents that occur in our communities. In addition to JJ Henderson Resident Patrols patrolling their community, they also did the same at Forrest Hills. Charles Lyon confirmed that they will receive recognition and certificates on December 14th at their annual Christmas party. He also mentioned that some of the communities are involved in Neighborhood Watch which is listed as part of their strategic plan. Also, Mr. Lyon explained that he had been giving presentations on what to do if there is an active shooter in the area. Commissioner Glenn asked that this information be included in their monthly reports. It was recommended that the Resident Patrols be recognized at DHA’s December 20th board meeting.

Commissioner Glenn said that Pamela Davis continues to work to find ways to increase her collection efforts. He said that excellent work is being done in the Housing Choice Voucher Program. Mr. Scott requested that Denita Johnson provide an update on the leasing of vouchers. Ms. Johnson said they were concentrating on issuing 50 vouchers per month up until March at which time she would review the numbers again.

Commissioner Glenn mentioned that a Sexual Harassment Policy should come before the board preferably by the end of the year.

The minutes from the October 19, 2017 meeting were submitted for acceptance. A motion was made to accept the minutes.

Motion: Commissioner Glenn; Seconded: Commissioner Nottingham; Approved: Unanimously
Resident Committee Report (Chaired by Commissioner Gloria Nottingham)

Commissioner Nottingham advised that since the minutes from the November 9, 2017 meeting were just distributed that they be for information only. She asked that the minutes be reviewed by the next meeting in January.

AGENDA ITEM VIII -- RESOLUTIONS FOR APPROVAL

The Chair, Daniel Hudgins, introduced the following three (3) additional resolutions:

RESOLUTION NO. 3514

HOUSING COLLECTION LOSSES FOR THE PERIOD BEGINNING SEPTEMBER 1, 2017 AND ENDING SEPTEMBER 30, 2017

WHEREAS, the Housing Authority of the City of Durham has determined that it has exerted all efforts to collect monies owed from former residents; and

WHEREAS, the property management staff has notified each former resident of the amount owed; and

WHEREAS, the regulations of the U.S. Department of Housing and Urban Development require a housing authority to write off any and all monies owed that cannot be collected.

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners of the Housing Authority of the City of Durham approves the write-off of rents, utilities, repair charges, court costs and late fees owed as per the listing of delinquent accounts shown in the amount of $6,221.12 for the period beginning September 1, 2017 and Ending September 30, 2017.

This resolution shall take effect immediately.

Done this 20th Day of November, 2017.

Motion: Commissioner Niemann; Seconded: Commissioner Nottingham; Approved: Unanimously

RESOLUTION NO. 3515

RESOLUTION APPROVING THE REVISION TO THE HOUSING CHOICE VOUCHER PROGRAM UTILITY ALLOWANCES

WHEREAS, the Housing Authority of the City of Durham is required to maintain a utility allowance schedule for all tenant-paid utilities, for cost of tenant-supplied refrigerators and ranges, and for other tenant-paid housing services; and

WHEREAS, in accordance with the U. S. Department of Housing and Urban Development regulations governing the Housing Choice Voucher Program (Section 8) which state "a PHA must review its schedule of utility allowances each year, and must revise its allowance for a utility category if there has been a change of 10 percent or more in the utility rates since the last time the utility allowance schedule was revised."

WHEREAS, the Housing Authority of the City of Durham procured the services of 2rw Consultants, Inc. to perform a utility allowance analysis and compare utility allowance reports from November 2016 with newly calculated utility allowances using current rate data and determined that a revision is necessary.
NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Housing Authority of the City of Durham, as follows:

1. That the proposed utility allowances, as attached, be approved; and

2. That the proposed utility allowances become effective January 1, 2018.

Done this 20th day of November 2017.

Motion: Commissioner Niemann; Seconded: Commissioner Nottingham; Approved: Unanimously

RESOLUTION NO. 3516

RESOLUTION TO APPROVE THE PERSONNEL POLICY REVISIONS/ADDITIONS

WHEREAS, the Housing Authority of the City of Durham’s existing Personnel Policy manual is subject to ongoing amendments and improvements; and

WHEREAS, the Housing Authority of the City of Durham, as a matter of course, must remain current and compliant in its personnel policies.

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners of the Housing Authority of the City of Durham, as follows:

1. That the proposed Personnel Policy revisions/additions be approved.

2. This Resolution shall take effect immediately.

Done this 20th day of November 2017.

Motion: Commissioner Glenn; Seconded: Commissioner Nottingham; Approved: Unanimously

AGENDA ITEM IX -- INFORMATION ITEMS
Commissioner Hudgins formally introduced the new Commissioner, Patrice Nelson to the board. Commissioner Nelson was the former Executive Director of Urban Ministries of Durham.

AGENDA ITEM X -- CLOSED SESSION
There was none.

AGENDA ITEM XI -- ADJOURNMENT
The meeting was adjourned at 6:25 p.m.

Motion: Commissioner Lofton; Seconded: Commissioner Glenn; Approved: Unanimously

(SEAL)

Chair

Secretary