

MINUTES OF ZOOM MEETING OF
THE HOUSING AUTHORITY OF THE CITY OF RALEIGH
BOARD OF COMMISSIONERS
JUNE 25, 2020

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, June 25, 2020 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, Kyle Dilday, Kistina Freeman, Arne Morris, Bahati Mutisya, Gregg Warren, Yolanda Winstead, Doris Wrench

Absent: Don Carothers

Visitors: Charles Francis, RHA attorney.

RHA Staff: Sonia Anderson, Priscilla Batts, Liz Edgerton, Wayne Felton, Mark Holliday, Laura McCann, Jennifer Morgan, Donna Perez, Gwen Wall.

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

REPORT OF THE BOARD SECRETARY

Mr. Felton thanked everyone for being flexible and understanding with this meeting. RHA must adjust to these changing circumstances but this is why there are practices and procedures in place to protect staff and residents.

COVID-19 Update

- One staff person tested positive for COVID-19 last week. There were seven employees in direct contact with that person. They have all been tested but not all of the results are back yet. All of the results back so far have been negative.
- A maintenance staff person currently has COVID-19 symptoms and they are being tested. Staff is waiting on those test results.
- There are only essential staff working at 900 Haynes St. this week. The Maintenance staff and property managers continue to work the previously modified schedule.
- The office building was sanitized last Friday.
- There are still some staff impacted by COVID-19, such as family members being sick and child care facilities closing.

Unfortunately, this looks like it will be RHA's new normal for a while.

Glenwood Towers Update

- The façade brickwork is complete.
- The contractor is caulking around the PTAC sleeves.
- There will be six units ready to reoccupy tomorrow, and then the rebuilding of the original burn units will begin.
- Staff is doing the final walk-through on the roof.

Auditor Entrance Meeting

- Staff had the entrance meeting with the auditors and Audit Committee on June 10th. (Mr. Felton asked Commissioner Morris, Audit Committee Chair, if he wanted to report anything to the Board.)

Commissioner Morris said he thought the entrance meeting went very well. Dale Rector did a great job of educating everyone on the information.

Mr. Rector will be doing a seminar for the Board in the near future. The auditors came in and started their audit work remotely in May and will be coming on site sometime in July. That was delayed, due to the COVID test. The Exit Conference will be sometime in late July.

- Due to the positive COVID-19 test last week, the auditors will be on site July 6th. They were scheduled to be here this week. However, they postponed their visit.
- Staff is scanning information and sending it to them for review so that they can work on RHA's audit remotely.

Arts Together Lease

It was mentioned at the last Board Meeting that for all of RHA's commercial leases, staff deferred the rent in March for 120 days. Their rent will be due August 1st. Staff will reach out to them in the coming weeks to see how they are doing and if additional adjustments are needed.

Arts Together (AT) has reached out and would like to renegotiate their lease. RHA currently has a 10-year lease which was executed in 2014. Its term is 2024.

They are currently paying \$6,584 per month rent on an 8,000 square foot space in downtown Raleigh. The money goes to Central Cost Center to offset some of RHA's costs. Per the lease, the rent will increase 3.5% each year until 2024.

AT has been there since 1987. They originally paid \$1 rent per year. In 2007-08, a new lease was negotiated and AT began paying rent for the space. This was due mainly to changes in the way HUD was funding PHAs and RHA had to find other income streams. The rent AT pays is still considered below market rate.

They stated they would like to work with more RHA residents at all properties. There are community centers at some of the properties and this may be an opportunity to get more children involved as well as outreach to the surrounding communities.

One thought that staff had is to reduce the rent for working at RHA properties and set it up like a tiered system. For example, with 0-10 children, staff would reduce the rent a certain amount; 11-20 a different amount, etc. This way, AT is incentivized to work with RHA's families and, if not, no reduced rent. This way RHA isn't paying for something it isn't getting.

AT is willing to pay rent but would like it reduced. Given the uncertainty with the COVID-19 virus, staff may look at a minimum rent and then adjust for their enrollment.

(Mr. Felton asked for comments or concerns from the Board as staff continues to work this out with AT.)

Commissioner Mutisya asked if the classes can work remotely or with social distancing, in the midst of sheltering in place with COVID-19. Mr. Felton said he is assuming they are dance classes and would be able to work around social distancing. However, they are not yet ready to start the classes.

Mr. Felton said another thing that might be helpful is if RHA opened up the community centers in the various developments for the classes. That would allow for more people and also allow for a more “community feel” for the classes.

Commissioner Mutisya asked were the funds are being used from the AT lease income. Mr. Felton said it goes to the Central Cost Center, which covers some of the costs for RHA. Commissioner Mutisya asked if there is a minimum rent amount that staff wants to stay at or above for renegotiating the rent. Mr. Felton said no numbers have been set yet.

Mr. Felton said in the original lease, AT is responsible for the HVAC and electrical systems, because they upgraded it after they moved in. AT is requesting the RHA take over that responsibility now. However, staff feels that RHA doesn’t need to take on those additional costs so the lease should be kept as is.

Commissioner Dilday said he thinks the sliding scale makes sense.

Commissioner Warren asked if RHA will go forward with lease negotiations with AT (and not asking for approval from the Board). Mr. Felton said staff is not asking for approval from the Board at this time. However, the final lease will be brought back to the Board for approval.

Misc.

- Staff had the first public meeting with resident regarding RAD via Zoom this week. The meeting went very well. There were 14 participants and staff will have more of those in the future as RHA moves forward with converting some of the units to RAD.
- A few weeks ago, staff received an email from HUD asking if RHA would like to be part of a pilot program that they are working on. This pilot program is part of the Enrichment Centers that Secretary Carson was promoting earlier this year. RHA is one of six PHAs asked to participate in the country. Their criteria are that the agency must be a high performing agency and in an area with a strong economy with many construction jobs. PHAs must apply to be part of the pilot and they will only select three agencies.

There is no additional funding for this program; HUD is only offering technical assistance. They want agencies to partner with local construction companies, technical colleges and work placement centers to assist residents in finding jobs in the construction field. HUD will be looking at how many people go to work but also how many continue working.

This is one of the things staff asked the new Community Service Coordinator to work on, prior to the pandemic. Whether or not RHA is part of the pilot, these are things staff would like to work on with the residents.

NEW BUSINESS

Mr. Felton said RHA’s fiscal year runs through March 31 of each year. At that time, staff prepares financials to be submitted to HUD. Since those financials are very lengthy (over 400 pages this year), Finance staff has condensed them down to a four-page summary that is attached to the resolution.

Highlights of the summary include:

- The net income for FYE 2020 is \$3.3 million. (RHA is \$2.1 million and CAD is \$1.1 million.)
- The Housing Choice Voucher program has a net income of \$363,000. (It was \$536,000 in 2019.)
- RHA and CAD's total assets are over \$117 million. That is up from \$116 million in 2019.
- CAD has a non-current liability of nearly \$6.7 million, which is down from \$7.8 in 2019. This is due to paying down debt from Parkview Manor and Walnut Terrace.
- Restricted fund balances are \$775,000. These are funds designated to be used for RHA's next redevelopment. Proceeds are from scattered home site sales for Walnut Terrace.

The Unaudited Financial Data Schedule has been submitted and is being reviewed by HUD.

HOUSING AUTHORITY OF THE CITY OF RALEIGH
RESOLUTION NO. 37 (2020)

WHEREAS, Federal Register Volume 65, Number 59 was issued on March 27, 2000 for the Uniform Financial Reporting Standards for Housing and Urban Development ("HUD") Housing Programs; Final Rule revising 24 CFR parts 5 and 266, requiring public housing authorities to electronically submit annual financial data following the end of each fiscal year; and

WHEREAS, the annual financial submission for the fiscal year ended March 31, 2020 was electronically submitted to HUD's Real Estate Assessment Center on June 17, 2020; and

WHEREAS, the attached documents summarize the unaudited financial data for the fiscal year ended March 31, 2020;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE CITY OF RALEIGH that the unaudited annual financial submission for the fiscal year ended March 31, 2020 be accepted as prepared and as submitted to HUD.

Commissioner Dilday moved and Commissioner Morris seconded approval of the foregoing resolution.

A vote being called, the ayes and nays were as follows:

Aye: Eric Braun, Kyle Dilday, Arne Morris, Bahati Mutisya, Gregg Warren, Yolanda Winstead, Doris Wrench, Kistina Freeman

Nay: None

Resolution No. 37 (2020) has been adopted.

Mr. Felton said with the audit, RHA is required by the General Accounting Standards Board ("GASB") to publish a narrative called the Management's Discussion and Analysis ("MD & A") that describes the past year and prospects for the future. It is a 9-page executive summary of what happened this past year and what is going on now that will impact future years.

This document adds some context to the numbers and provides benchmarks that include:

- Current assets are up 10%. This is due to CFP.
- Capital Assets decreased 3% due to depreciation and writing off equipment.
- Total liabilities decreased 7%. This is due to paying off debt.
- Total tenant revenue increased by \$169,000 (2%). This is due to tenants incomes increasing.
- Operating and Capital Fund increased \$970,000.
- Expenses increased by \$539,000.
- Maintenance costs increased 7% last year. This due to being nearly fully staffed. Last year, costs were down 6% due to not be fully staffed. There were also increases in HVAC, plumbing and electrical costs due to not having licensed staff.
- RHA’s overall net position increased by \$1.8 million and this is due to additional funding for operations and capital fund.

RHA had a good financial year and the goal for the current year is to keep everything running as efficiently as possible and to keep cash flowing. RHA is converting some properties to RAD and is in the beginning phases of redeveloping Heritage Park. This resolution allows for minor revisions should something be identified as part of the audit that would make changes necessary.

If the MD&A is approved, it will be included in the audit.

Commissioner Winstead asked if the Total Assets and Deferred Outflow of Resources (\$115,064,663) should match the attachment to Resolution No. 37, line 24, Total Assets and Deferred Outflow of Resources, which shows \$117,265,206. Should those numbers be the same?

(Liz Edgerton looked into it and came back to the Board later stating that the difference is the elimination of inter-agency transactions, which is required by GASB. On the first resolution, the eliminations were not taken out. With the second resolution, the elimination transactions were put in, which are related to the inter-agency notes payables.)

HOUSING AUTHORITY OF THE CITY OF RALEIGH
RESOLUTION NO. 38 (2020)

WHEREAS, HUD Guidebook 7510.1, Public and Indian Housing Low-Rent Technical Accounting Guide, requires that a housing authority contract with an independent auditor for an annual financial audit; and

WHEREAS, the audit must conform to the requirements of the Office of Management and Budget (“OMB”) Uniform Guidance 2 CFR Part 200, Audits of States, Local Governments, and Non-Profit Organizations; and the Government Auditing Standards issued by the Comptroller General of the United States; and

WHEREAS, Governmental Accounting Standards Board (“GASB”) Statement 34 issued in June 1999 requires that audits include a narrative prepared by the auditee called Management’s Discussion and Analysis (“MD&A”), which was effective for RHA for the fiscal year ended March 31, 2001; and

WHEREAS, staff drafted an MD&A based upon the unaudited financial statements for the fiscal year ended March 31, 2020, which is attached to this resolution and thereby made a part of this resolution; and

WHEREAS, as the annual financial audit is completed for the fiscal year ended March 31, 2020 it may be necessary to make minor changes to the MD&A; and

WHEREAS, the final MD&A will be brought before the Board of Commissioners as part of the Report on the Audit of Financial Statements for the fiscal year ended March 31, 2020;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE CITY OF RALEIGH that the draft of the Management's Discussion and Analysis for the fiscal year ended March 31, 2020 be approved.

BE IT FURTHER RESOLVED that staff is authorized to make minor revisions to the MD&A for the fiscal year ended March 31, 2020 as may be identified during the completion of the annual financial audit.

Commissioner Warren moved and Commissioner Braun seconded approval of the foregoing resolution.

A vote being called, the ayes and nays were as follows:

Aye: Eric Braun, Kyle Dilday, Arne Morris, Bahati Mutisya, Gregg Warren, Yolanda Winstead, Doris Wrench, Kistina Freeman

Nay: None

Resolution No. 38 (2020) has been adopted.

RAD Update

Mr. Felton said RHA has been working with HUD and staff brought in the consultant EJP. Last month the biggest obstacle was getting the Critical Needs Assessment (CNA) from Dominion Due Diligence. The critical needs assessment reports started coming in last week for the first four properties staff that is looking at converting (Terrace Park, Berkshire, Meadowridge, and Valleybrook). Dominion Due Diligence needed to modify what they were looking at due to COVID-19. Staff took pictures of the units and sent those to them. They also came to the site and did their inspections. Staff took them into any vacant units, community centers, and they looked at the outside of the units to do their analysis.

So far, the CNAs have come back good. Since the RAD contracts are for 20 years, the inspectors are looking at whether these units are sustainable for 20 years. They want to make sure the PHA has replacement reserves to cover any maintenance costs that will come up in that 20 year period.

Based on their observation, they suggested the following be set aside for replacement reserves:

- Meadowridge: \$180,000
- Terrace Park: \$0
- Berkshire: \$20,000
- Valleybrook: \$90,000

(Meadowridge is higher because they suggested RHA would be replacing the siding in the 20-year period.)

They also suggested the following annual deposits be placed into the reserves each year:

- Meadowridge: \$30,000
- Valleybrook: \$25,000
- Terrace Park: \$20,000
- Berkshire: \$20,000

Staff will work with the CNA consultant and HUD to determine what will be best for RHA to make sure the properties cash flow in the future and funds are being limited for the future.

There are three additional properties that were inspected. Staff is waiting to find out what their reports look like because those properties have asbestos on them. Those may need more replacement reserves for any abatement that may come up in the future.

There was approximately \$11,000 worth of critical repairs for all four properties. Those are repairs that must be completed before RHA can close (RHA is hoping to close in November 2020). Most of the repairs had to do with accessible paths and sidewalks and were very minor.

This month has been a big push for staff because HUD wants RHA to do a concept call with them. Staff must submit a finance plan by July 1st and the concept call needs to happen before the plan is submitted. As part of that, the CNAs needed to be completed, the financial plan worked out, a financial report must be submitted with the City of Raleigh, and a title research completed so that the properties can be set up with HUD.

RAD Ownership Discussion

Mr. Felton said once these properties are converted to RAD, one of the things that must be discussed is what the ownership of the properties is going to look like. Staff has talked with the consultant as well as the RHA auditor and they both recommend the Board set up another 501 C 3 for ownership, similar to CAD.

It could be controlled by the RHA Board, with the same Board Commissioners, if desired. There would be no employees and management agreements that are similar to what RHA has with CAD. This would keep everything separate with all the RAD units owned by a separate entity. The rent reasonableness and inspections would have to be contracted out.

Mr. Felton asked for feedback from the Board to know what direction to go with the RAD ownership, as well as any suggestions about the RAD conversion.

Commissioner Warren asked if two separate entities were needed (or if CAD could be used for the RAD properties). He said he has some unresolved questions about CAD and would like to better understand it. He said he would like to get a better understanding of why a new entity would be needed – and this may have some implications for Heritage Park, as well. Mr. Felton said CAD is kept separate from RHA with a separate Board for legal reasons. However, they are connected through the management agreements as well as the no-interest loans that are shared.

Mr. Felton asked what Commissioner Warren is suggesting the structure look like with CAD. Mr. Warren said he isn't sure. He said his biggest question about CAD right now is that they aren't controlled by RHA. They are a self-appointed Board and they can terminate the management agreements with RHA at any time. He would like to get a better explanation of all of that.

Commissioner Dilday said he doesn't understand why CAD continues to come up in these discussions. He said CAD is a different Board and RHA doesn't control it. He said he understands what Commissioner Warren is saying. However, RHA has a relationship with the CAD Board and it has worked well for years. RHA's legal counsel has looked at it and the auditor has explained it.

Commissioner Braun said it comes up because some of the new Commissioners still don't quite understand the structure of CAD.

Commissioner Dilday asked about the motive to understand more of the structure of CAD. He said he doesn't know how Mr. Felton could explain it any better.

Commissioner Morris said there is a connection between the CAD Board and RHA. There is a reason that they will not pull away from RHA. Mr. Felton said the By-Laws were changed in 2010 to state that if CAD pulled out of the management agreements, the no-interest loans would be due immediately. While this could happen, it would not be a good business decision for CAD. Keep in mind also that CAD units and RHA units are on some of the same properties so it wouldn't make sense for CAD to pull out of the agreement and try to manage them on their own.

Commissioner Morris also stated that there are common Board Members for both Boards. Mr. Felton said the one common Board Member is Don Carothers.

Commissioner Dilday said there are some former RHA senior staff members who remain on the CAD Board: Hilda Holdsclaw and Joel Whitely. Mr. Felton said that is correct – as well as Suzy Bryan, the current Assistant Director of Administration-Finance.

Commissioner Warren said he is not suggesting that the CAD Board doesn't do a great job and has a mission consistent with RHA. He said he still has a problem that the CAD Board could possibly go off on its own. He said he's just raising that concern in the context of how RHA goes forward with a new entity to do these new deals. He said it sounds like it's a different model and the Board would be selected in some fashion by RHA. Mr. Felton said he assumes that is what the RHA Board would want.

Commissioner Warren asked why this new entity would be structured differently than CAD. Mr. Felton said he thought the Board would want to have control over these properties and their concern is that they don't have control over CAD.

Commissioner Warren asked why, for legal or financial reasons, these properties would be treated differently (without a separate entity). Mr. Felton said RHA owns these properties and are responsible and liable for them. The converted properties would be placed in this new entity that is still under RHA's umbrella so the liability stays the same and there is no additional risk being taken. If CAD is tied to RHA, there are two sources of money available in the case of any liability.

Charles Francis said staff is responding to the concern that the Board doesn't want to give up control over assets that RHA has right now. It is assumed that since all RHA is doing is transferring units without any improvements, from one entity to another, that the Board wouldn't want to lose control of those units and assets. At the time of the major CAD redevelopments – Halifax Court, Chavis Heights, and Walnut Terrace – the units were torn down and completely different assets were created. At that point, there were no objections with the RHA Board to do it that way, and there has been no criticism of the way it has functioned. Since some of the new RHA Board Commissioners are raising issues with this now, rather than trying to transfer them to some entity where the RHA Board would lose control, staff would set up an entity that the RHA Board would control.

Commissioner Braun agrees that RHA should not transfer assets to an entity that it doesn't control.

Commissioner Warren said there are really two issues. One is CAD – does anyone on the RHA Board want to see a change to CAD? The second issue is how does RHA move forward? He said he appreciates staff's proposal that the new entity would be controlled by RHA. He said he is good with that decision. However, he thinks the CAD discussion is one that will continue.

Mr. Francis asked Commissioner Warren if there is any objection to the way the CAD Board is managed. Commissioner Warren said there are no objections. He thinks the CAD Board management has been fine, as far as he knows. There are no questions of management or the commitment of the CAD Board Members. He said he hates to see a significant transfer of RHA assets through a self-perpetuating Board, which evolved over time.

Commissioner Braun said one of the things that he's concerned about is that when he was first on the RHA Board, there were still several RHA Board Commissioners who served on the CAD Board. As the RHA Board has changed over the past year, there isn't that commonality of Board Membership. He is concerned that, over time, as the two entities drift apart and the debt is paid off, there is some risk that CAD could go in their own direction at some point. That may be a low risk at the moment, because of the history. However, things could change. He said he and Commissioner Warren are just trying to understand why it was set up and is there a long-term risk that RHA could lose assets.

Commissioner Morris asked if all of the assets that CAD has are embedded in RHA property. Mr. Felton said, as an example, in Capitol Park there are 60 public housing units and 59 CAD units. Those 59 units were financed and paid for by CAD. CAD was the developer and CAD put back money into the development, which allowed for a nicer community.

Commissioner Morris said it was mutually beneficial to both parties, and the relationship going forward will continue to be mutually beneficial. He said he thinks it is still a good business decision. This new entity concept is because it was mentioned by the Board that they want RHA to retain control of these assets in the future. Mr. Felton said the HOPE VI projects (such as Capitol Park) were envisioned to be a mixed-income property. There are public housing units and affordable market rate units on the same property. CAD handles the affordable market rate piece of the community.

Commissioner Warren commented that Capitol Park, Chavis Heights, and Walnut Terrace are all really great communities that are run well.

Commissioner Freeman said this has been a good discussion on CAD and asked if Mr. Felton had additional comments about the RAD conversion.

Mr. Felton said staff would continue working with the consultants and work through developing a separate entity. Staff will bring it back to the Board when it has been developed.

Meeting With Residents

Earlier this month, with the protests in Minnesota, there were protests in Raleigh. RHA received some emails asking how the agency wanted to respond to the protests. Historically, RHA has stayed out of politics. However, staff wanted to reach out to the residents to see what issues they might be having.

Staff reached out to Lottie Moore, resident president of the Oaks as well as ICC president. Ms. Moore had no concerns with the riots and had not heard any concerns on the properties. One of the suggestions was to try to facilitate communication between the police and residents. Staff thinks that will be helpful and having meetings with the police and residents will build trust with the residents.

Commissioner Mutisya asked if RHA had data on how often the residents interact with the police and for what reasons. Mr. Felton said staff does not have that data. Staff gets a police report from some of the properties. However, it gives very basic information about the calls and only gives an address so staff does not know if they are RHA tenants.

Commissioner Mutisya said the reason she brought it up is to hear from the residents as to whether there have been any incidents. If there are going to be meetings with the residents in the future, it would be helpful to know what their interactions have been with the police.

Commissioner Mutisya asked what was talked about with Ms. Moore. Mr. Felton said he asked about the protests and if she had any concerns. Ms. Moore is very well connected with the residents so if anyone has a problem, she will have heard about it. She said, even with the virus, everyone seems to be doing fine. She hasn't heard about any protests or concerns.

Commissioner Mutisya asked how often the residents have the Community Watch Meetings. Mr. Felton said staff asked the residents to set that up themselves. Not all communities have watch meetings. However, it would be helpful to all the properties. He said staff will reach out to the police and let the Board know when those meetings have been set up.

Rezoning Heritage Park

Staff met with J Davis and got their proposal for the entire project earlier this month.

Mr. Felton asked Commissioner Braun if he was suggesting rezoning the property to X-20 or C-20. Commissioner Braun said he wasn't sure – it was either DX-20 or CX-20. It is probably DX-20 (downtown mixed-use).

Mr. Felton said the property across the street from Heritage Park had a public meeting a few weeks ago as part of its rezoning process. JDavis was involved in that rezoning. Staff has reached out to them to find out what comments they received but have not heard back from them.

Mr. Felton said he wanted to make Board aware that if RHA goes for rezoning, there may be some push back from that. With affordable housing, gentrification is a big factor. Staff thinks the Board needs to be thinking how RHA will handle that if there are complaints from the public.

Commissioner Braun said RHA can do community outreach before it is filed. Part of the process is there is an official requirement of neighborhood meetings before the case is filed. Given the sensitivity, nothing stops RHA from doing additional community outreach. If there is concern in the community, it can be conditioned down to a lower number.

Commissioner Freeman agrees that RHA should be mindful of the feelings in the community.

ADJOURNMENT

There being no further regular business to come before the Board, the Chair declared the regular meeting adjourned at 6:20 p.m.