



**Charlotte Housing Authority**

**BOARD OF COMMISSIONERS  
BOARD MEETING**

*September 15, 2009*

*Charlotte Housing Authority  
1301 South Boulevard  
Charlotte, NC 28202*

*Mission Statement*

*“To lead, develop, and execute community-wide strategies that meet the broad range of housing needs for families who cannot otherwise attain conventional housing”*

*David Jones-Chairman  
Rodney W. Moore-Vice Chairman  
Dan Page  
Will Miller  
Joel Ford  
Lucille Puckett*



**HOUSING AUTHORITY OF THE CITY OF  
CHARLOTTE**

***NOTICE  
BOARD MEETING***

BOARD OF COMMISSIONERS' MEETING

*Charlotte Housing Authority  
1301 South Boulevard  
Charlotte, NC 28203*

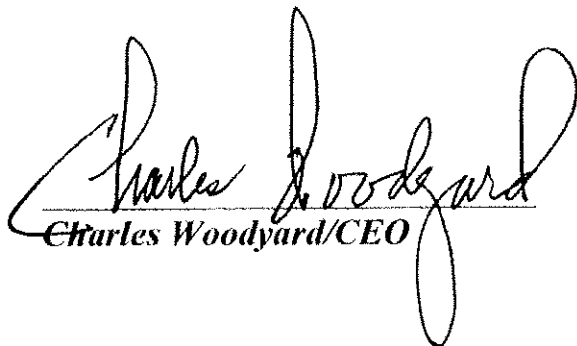
*September 15, 2009*

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***NOTICE*** is hereby given that a Board meeting of the Board of Commissioners' of the Housing Authority of the City of Charlotte will be held on ***September 15, 2009*** as follows:

**TIME/Date:** *12:00 P.M.  
September 15, 2009*

**LOCATION:** *Charlotte Housing Authority  
1301 South Boulevard  
Charlotte, NC 28203*

  
**Charles Woodyard/CEO**

# Housing Authority of the City of Charlotte

## Regular Meeting of the Board of Commissioners

Central Office  
1301 South Boulevard  
Charlotte, NC 28203

*September 15, 2009*

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**12:00 p.m.** - **Regular Board Meeting Convenes:**

### **Regular Meeting Agenda:**

1. Pledge of Allegiance
2. Public Forum
3. Additions to the Agenda
4. Consideration to Approve the Minutes for:
  - Regular Board Meeting held *August 18, 2009* (**Tab 5**)
5. Resident Advisory Council (RAC) Report (**Tab 1**)
6. Monthly Report from the CEO
  - Monthly Scorecard (**Tab 2**)
7. Committee Reports:
  - Client Relations Committee
  - Development Committee
  - Finance and Audit Committee
8. **Consent Agenda Action Items:**
  - A. Authorize CHA Loan to Horizon Development Properties, Inc. Subsidies  
Budget Amendment: MTW Funds (**p.1**)
  - B. The Lofts at Seigle Point (**p.3**)
  - C. Budget Amendment: Section 8 (**p.10**)
  - D. Budget Amendment: Piedmont Courts HOPE VI Grant (**p.12**)
  - E. Budget Amendment: Asset Management Project Budget (**p.13**)
  - F. Budget Amendment: MTW Funds (**p.15**)
  - G. Budget Amendment: MTW Funds (Krefeld) (**p.17**)
9. **Board Workshop:**
  - A. New Corporate Strategic Goals

**Consent Agenda:**

**Consent Agenda items for the September 15, 2009 Regular Board Meeting of the Charlotte Housing Authority Board of Commissioners.**

**8.A Authorize CHA Loan to Horizon Development Properties, Inc Budget Amendment: MTW Funds**

**Action:** 1. Approve Resolution No. 1736 to authorize CHA to make an MTW loan in the amount of \$630,000 to Horizon Development Properties, Inc. for the purpose of pursuit costs.  
2. Approve Resolution No. 1737 to amend Resolution No. 1728 which Amended the MTW Funds Budget for the fiscal year ending March 31, 2010.

**Staff Resource:** J. Wesley Daniels, Ralph Staley

**Key Business:** Real Estate, Finance and Administration

**Strategic Goal:** Maximize Economic, Social, and Physical Value of Real Estate; Attain Long-Term Financial Viability

**Explanation:**

Staff is recommending that the Board authorize an additional MTW loan of \$630,000 to Horizon Development Properties, Inc. (Horizon) for pursuit costs incurred in predevelopment activities for the substantial rehabilitation of Strawn Apartments, Charlottetown Terrace and Parktowne Terrace. The Board previously approved \$200,000 for pursuit cost: Strawn-\$60,000, Charlottetown- \$60,000 and Parktowne -\$80,000. Staff is confident that the funding needs have been met for predevelopment cost through March 31, 2010.

This loan will be used for the following purposes:

	Strawn	Charlottetown	Parktowne
Schematic Design	\$12,500	\$15,500	\$ 6,000
Design Development	18,750	23,250	19,000
Construction Documents	75,000	93,000	70,000
Project Specifications	5,000	9,500	8,000
MEP- Design Services	30,000	49,500	30,000
MEP – LEED	5,500	8,000	-
Structural Engineering	5,000	5,000	5,000
LEED Commissioning	50,000	50,000	47,000
LEED Administrator	20,000	20,000	-
G/C Bid Process	5,000	5,000	5,000
Misc.	10,000	10,000	10,000
Permitting Coordinator			8,500

Landscape Architect			<u>10,500</u>
Subtotal	<u>236,750</u>	<u>288,750</u>	219,000
Contingency 10%	<u>23,675</u>	<u>28,875</u>	<u>21,900</u>
Total	\$ 260,425	\$317,625	\$240,900
Additional Contingency	<u>4,575</u>	<u>2,375</u>	<u>4,100</u>
Total Amount Requested	\$265,000	\$320,000	\$245,000

The attached Exhibit A shows a reallocation of expenditures from Capital Projects-Real Estate to Loans to Others.

**Committee Discussion:**

The Finance & Audit Committee discussed and unanimously approved this item for inclusion on the consent agenda at its meeting on September 2, 2009.

**Funding:**

MTW funding

**Attachment:**

Exhibit A for Resolution 1737 (**Tab 3**)

Resolution 1736 (**Tab 4**)

Resolution 1737 (**Tab 4**)

## **8.B The Lofts at Seigle Point**

**Action: 1. To approve Resolution No. 1738 for the commitment of up to \$5,000,000 in CHA MTW funds for the development of The Lofts at Seigle Point, of which \$500,000 will be authorized to be drawn to cover predevelopment expenditures.**

**Action: 2. To approve Resolution No. 1740 to Amend Resolution No.1737 which amended the Moving To Work Project Budget for the fiscal year ending March 31, 2010**

**Staff Resource:** Ben Collins and Ralph Staley

**Strategic Business:** Real Estate and Finance Administration

**Strategic Goal:** Maximize Economic, Physical, and Social value of our Real Estate Portfolio; Attain Long-Term Financial Viability

### **Explanation:**

The Lofts at Seigle Point is proposed to be the final on-site component of the Seigle Point HOPE VI redevelopment of the former Piedmont Courts. The development is proposed to be a mixed-income project including 190 units of which 80% will be market rate and 20% will be affordable to those earning less than 30% AMI subsidized by CHA Project Based Section 8.

The development is proposed to consist of 23 studio, 115 one-bedroom, 44 two-bedroom and 8 three-bedroom units for a total of 190 units. The project will be constructed in 4 and 5 story wood framed construction with an integrated clubhouse and pool/amenity area surrounding a pre-cast structured parking deck. Parking has been provided at a ratio of 1 per bedroom, plus 10 spaces for leasing and guests, additional on-street parking is also available. The project has been designed to create a balance of density, parking and construction type in order to create the optimal economic balance.

The development will meet the following objectives:

1. It will add much needed market rate units to the Seigle Point community. Without the addition of market rate households, Seigle Point will remain substantially very low income and will not be the vibrant mixed-income community which was originally sought.
2. It will serve as a model for mixed-income development. While leveraging CHA funds at a ratio of 4 to 1, the development will create a luxury environment where CHA's residents will live along side working professionals near Charlotte's Uptown. This

environment will be ideal situation for these residents to excel in CHA's Moving Forward program.

3. It will promote CHA's financial sustainability. It is anticipated that the development will have a total Development Fee of \$1,000,000 and \$200,000 in cash available for distribution to CHA & Horizon.

An extensive market analysis has been conducted by Fred Beck & Associates which has taken into account comparable properties that are existing, in lease-up and proposed (see attached summary market analysis). The Lofts at Seigle Point has been underwritten to compete with these comparable properties at today's rents at a point in time when three market factors have converged to create the most challenging rental market that Charlotte has seen for some time. The market factors that have lead to this market condition are: Economic recession including associated job losses, record levels of new multi-family construction and the conversion of distressed condominium developments to rental.

Taking into consideration the above factors, there are several points why we believe a conservatively underwritten development would be well positioned to succeed. These points are as follows:

1. The projects that are now under construction will be leased-up or substantially leased-up by the time that The Lofts at Seigle Point will deliver units.
2. Market conditions and lack of financing have depleted the number of proposed new multi-family developments. From September 08 to March 09 the number of proposed multi-family developments dropped from roughly 14,000 to roughly 4,000 and over the past 6 months only 48 units have begun construction (CMHP – Double Oaks).
3. Construction costs have decreased by 10-20% from 2008 pricing, creating very attractive pricing.

It is anticipated that The Lofts at Seigle Point will deliver units in the beginning of the 3rd Quarter 2011 into a market that will have little or no lease-up competition. With underwriting that is supported in distressed market conditions and taking advantage of optimal construction pricing, The Lofts at Seigle Point should be well positioned to succeed as the market moves toward recovery.

The project is proposed to utilize HUD's 221(d)(4) program, which will provide debt equal to roughly 75% of cost. We have elected to utilize the program's two step process consisting of a Preliminary and Final application. Our 221(d)(4) sponsor is Capmark Finance, the leading sponsor of 221(d)(4) financing in the country as well as in North Carolina. All preliminary underwriting has been completed including a market study and rent and expense analysis. The following project details reflect the outcomes of this thorough initial underwriting process.

## Sources and Uses

	<u>Amount</u>	<u>Per Unit</u>	<u>Per Sqft</u>
<b>SOURCES</b>			
CHA MTW <sup>1</sup>	\$ 4,809,889	\$ 25,315	\$ 28.63
NSP <sup>1</sup>	1,000,000	5,263	5.95
221(d)(4) <sup>2</sup>	<u>18,650,403</u>	<u>98,160</u>	<u>111.00</u>
Total Sources	\$ 24,460,292	\$ 128,738	\$ 145.58
<b>USES</b>			
Pre-Dev & Admin	\$ 95,000	\$ 500	\$ 0.57
Land <sup>3</sup>	-	-	-
Construction	18,587,336	97,828	110.63
Design	630,000	3,316	3.75
Municipality Fees	150,000	789	0.89
Developer Fee	1,079,931	5,684	6.43
Legal, Fin, Ins, RE Tax	1,237,400	6,513	7.36
FF&E	-	-	-
Contingency	494,055	2,600	2.94
Operating Reserve	750,000	3,947	4.46
Working Capital	373,008	1,963	2.22
Construction Interest	<u>1,063,563</u>	<u>5,598</u>	<u>6.33</u>
Total Uses	\$ 24,460,292	\$ 128,738	\$ 145.58

<sup>1</sup> 20 year term, 2% interest only, cash flow contingent

<sup>2</sup> 40 year term/amort, 7% interest, min. 1.11 DCR

<sup>3</sup> 99 year ground lease



## Rents

Description	# of Units	SF/Unit	Rent/Unit	Rent/SF
S1 - 0BR/1BA - Mkt	23	603	\$ 800	\$ 1.33
A1 - 1BR/1BA - Mkt	65	784	\$ 975	\$ 1.24
A2 - 1BR/1BA - Mkt	27	795	\$ 985	\$ 1.24
A3 - 1BR/1BA - Mkt	9	861	\$ 1,020	\$ 1.18
A1 - 1BR/1BA - PBS8 <sup>1</sup>	14	784	\$ 709	\$ 0.90
B1 - 2BR/2BA - Mkt	4	1,149	\$ 1,220	\$ 1.06
B1b - 2BR/2BA - Mkt	5	1,080	\$ 1,175	\$ 1.09
B2 - 2BR/2BA - Mkt	9	1,159	\$ 1,300	\$ 1.12
B3 - 2BR/2BA - Mkt	8	1,190	\$ 1,310	\$ 1.10
B1 - 2BR/2BA - PBS8 <sup>1</sup>	2	1,149	\$ 775	\$ 0.67
B1b - 2BR/2BA - PBS8 <sup>1</sup>	3	1,080	\$ 775	\$ 0.72
B2 - 2BR/2BA - PBS8 <sup>1</sup>	7	1,159	\$ 775	\$ 0.67
B3 - 2BR/2BA - PBS8 <sup>1</sup>	6	1,190	\$ 775	\$ 0.65
C1 - 3BR/2BA - Mkt	2	1,475	\$ 1,580	\$ 1.07
C2 - 3BR/2BA - PBS8 <sup>1</sup>	6	1,475	\$ 982	\$ 0.67
<b>TOTAL/AVERAGE <sup>2</sup></b>	<b>190</b>	<b>882</b>	<b>\$ 965</b>	<b>\$ 1.09</b>

<sup>1</sup> PBS8 rents are based on 120% FMR for 2009

<sup>2</sup> Average market rent per unit is \$1,012 and per sqft. is \$1.21

## Revenue and Expense Summary

REVENUE	Budget	Per Unit
Schedule Rent	\$ 2,331,762	\$ 12,272
Vacancy	<u>(173,691)</u>	<u>(914)</u>
	2,158,071	11,358
Other Income	<u>149,531</u>	<u>787</u>
Total Revenue	\$ 2,307,602	\$ 12,145
EXPENSES		
Payroll	\$ 166,345	\$ 876
General & Admin	47,947	252
Marketing	26,420	139
Redecorating	39,140	206
Management Fee	92,304	486
Utilities	94,915	500
Janitorial	22,701	119
Repairs and Maintenance	48,925	258
Landscaping	19,570	103
Insurance	39,140	206
Taxes	39,140	206
Replacement Reserves <sup>1</sup>	<u>76,178</u>	<u>401</u>
Total Expenses	712,725	3,751
Net Operating Income	1,594,877	8,394
Debt Service	<u>1,388,463</u>	<u>7,308</u>
Total Cash Flow <sup>2</sup>	\$ 206,414	\$ 1,086
Support Services <sup>3</sup>	38,000	200
CHA MTW <sup>4</sup>	96,198	506
NSP <sup>4</sup>	<u>20,000</u>	<u>105</u>
Net Cash Flow	\$ <u>52,216</u>	\$ <u>275</u>

<sup>1</sup> Per HUD 221(d)(4) formula

<sup>2</sup> Provides 1.15 Debt Coverage

<sup>3</sup> Provides \$1,000/PBS8 Unit

<sup>4</sup> Assumes MTW and NSP are interest only loans at 2%

## **Schedule**

221(d)(4) Preliminary Application Submittal:	3rd Quarter 2009
221(d)(4) Final Application Submittal:	2nd Quarter 2010
Closing:	3rd Quarter 2010
Construction Start:	3rd Quarter 2010
Delivery of Clubhouse and 1st Units:	3rd Quarter 2011
Project Completion:	1st Quarter 2012

## **Risk Analysis**

If approved, staff will continue to move forward with design, construction analysis and on-going market feasibility analysis. While working toward submission of the Final Application, staff will monitor and assess the following risks:

### 1. Interest Rates:

- a. Risk: The analysis presented in this report assumes an interest rate on the 221(d)(4) debt of 7%. Current rates are in the 6.5% range.
- b. Mitigating Factor(s): If other proforma assumptions hold true, we would be able to support up to a 7.3% interest rate and still meet HUD underwriting guidelines. If rates are higher than what will underwrite upon receipt of final HUD commitment it would be possible to wait for rates to come down or increase our investment to buy the rate down.

### 2. MTW Use of Funds:

- a. Risk: There is currently a question as to whether or not we can invest MTW funds as capital to construct units that will be assisted by Section 8 (vs. Section 9). Steve Holmquist with Reno Cavanaugh is assisting us and The Banks Law Firm to obtain a clarification on this point from HUD. If HUD's response to this clarification is unfavorable CHA would not be able to invest MTW funds into the project.
- b. Mitigating Factor(s): If MTW funds are not available for this project, CHA would be able to invest NSP2 funds if that award is successful.

### 3. Market Rents:

- a. Risk: The most that market rents could drop and still allow the project to underwrite, all other assumptions remaining equal, would be \$40/unit/month.
- b. Mitigating Factor(s): The rents that have been underwritten in this report have been conservatively underwritten relative to their competition during perhaps the bottom of the market. Having said that, if rents were to drop by more than \$40 the project would require additional capital in order to underwrite. NSP2 funds could be a potential source of additional funds.

4. Property Tax Exemption:

- a. Risk: The analysis presented in this report anticipates that Horizon Development Properties, Inc. will be the sole owner of The Lofts at Seigle Point and that it will receive a property tax exemption for the property.
- b. Mitigating Factor(s): Staff has discussed the proposed project with the Tax Assessor and has received favorable feedback regarding a property tax exemption. A letter has been issued from the Assessor indicating that the property would be considered for the exemption so long as it meets the statutory requirements, which we believe we do. It is anticipated that property tax exemption will be received in Spring 2010. If, for some reason, property tax exemption was not received the project would require an additional \$2,000,000 in capital funds which could come from NSP2.

**Budget**

The budget is to be established in the amount of \$500,000 constituting the following:

Design	\$430,000
Legal	35,000
Survey	5,000
Environmental	10,000
Market Study & Appraisal	<u>20,000</u>
Total	\$500,000

Exhibit A reflects funds moved from Capital Projects – Real Estate to Loans To Others in the amount of \$500,000.

**Committee Discussion:**

The Finance & Audit Committee discussed and unanimously approved this item for inclusion on the consent agenda at its meeting on September 2, 2009.

**Community Input:**

This project required rezoning and as part of that process a community meeting and public hearing were held. No concerns were raised at either of these meetings.

**Funding:**

This project will require financing through HUD's 221(d)(4) program. The preliminary application will be filed in 3<sup>rd</sup> Quarter 2009. Final application will be submitted in 2<sup>nd</sup> Quarter 2010.

MTW Funds

**Attachment**

Market Analysis (**Tab 3**)

Exhibit A for Resolution 1740 (**Tab 3**)

Resolution No. 1738 (**Tab 4**)

Resolution No. 1740 (**Tab 4**)

## **8.C Budget Amendment: Section 8**

**Action:** Approve Resolution No. 1734 to Amend Resolution No. 1659 (Exhibit D) which Adopted the Section 8 Budget for the fiscal year ending March 31, 2010.

**Staff Resource:** Ralph Staley

**Strategic Business:** Finance Administration

**Strategic Goal:** Attain Long Term Financial Viability

### **Explanation:**

The Charlotte Housing Authority has received 147 additional Section 8 vouchers. They are 100 Family Unification vouchers, 35 Veteran Affairs Supportive Housing vouchers and 12 Disaster Housing Assistance Program vouchers. Total housing assistance payments to be received is \$630,681. Of this amount, \$461,984 is for Family Unification, \$116,774 is for Veteran Affairs and \$51,923 is for Disaster Housing Assistance vouchers. HUD has not communicated the amount of the administrative fees for the Family Unification and the Veteran Affairs Supportive vouchers. Staff estimates the administrative fee revenue to be \$54,364. The administrative fee for the Disaster Housing Assistance is \$3,986. These vouchers are not part of our regular vouchers and as such are shown as an addition to Section 8 funding and not MTW funding. These vouchers may in the future be included in our MTW voucher count.

HUD, in their Interim Data Schedule Line Item Definition Guide, requires Housing Authorities to report portable revenue and portable expense separately. Portability is the ability of persons with vouchers to move to the CHA and CHA pays the landlord and bills the initial housing authority for the payment to the landlord and their administrative fee. Estimated portable housing assistance revenue is \$2,400,682 and estimated portable expenditures are \$2,400,682.

Exhibit A shows an increase in revenues of \$3,089,713 which consist of housing assistance payments for new vouchers of \$630,681, portable housing assistance payments of \$2,400,682 and administrative fees of \$58,350. The expenditures are shown in the Administrative line item in the amount of \$58,350 and housing assistance payments in the amount of \$3,031,363.

### **Committee Discussion:**

The Finance & Audit Committee discussed and unanimously approved this item for inclusion on the consent agenda at its meeting on September 2, 2009.

**Funding:**

ACC No. A-4156

**Attachments:**

Exhibit A for Resolution 1734 (**Tab 3**)

Resolution No. 1734 (**Tab 4**)

## **8.D Budget Amendment: Piedmont Courts HOPE VI Grant**

**Action:** Approve Resolution No. 1739 to Amend Resolution No. 1713 which Amended the Piedmont Courts HOPE VI Grant (Seigle Point)

**Staff Resource:** Ralph Staley

**Key Business:** Finance Administration

**Strategic Goal:** Attain Long - Term Financial Viability

### **Explanation:**

This budget amendment is necessary to recognize program income of \$132,000 for the Piedmont Courts HOPE VI Grant (Seigle Point) to be received through this fiscal year. This program income comes from social services fees. Expenditures (\$132,000) are shown in the Management Improvements category and will be spent for social services. Also in this amendment, staff is re-allocating expenditures for the final phase and close out of the grant with the following changes: from Administration (\$274,209) and Relocation Costs (\$10,000) to Management Improvements (\$209,000), Fees and Costs (\$17,116), Site Acquisition- Non HUD Funds (\$46,319) and Site Improvements (\$11,774). This revision is shown in Exhibit A. The total change to Management Improvements from program income (\$132,000) and re-allocation from the grant (\$209,000) is (\$341,000).

### **Committee Discussion:**

The Finance & Audit Committee discussed and unanimously approved this item for inclusion on the consent agenda at its meeting on September 2, 2009. However, better information is now available for the final budget revision which is going to HUD on September 16, 2009. This substituted budget matches to that information.

### **Funding:**

Piedmont Courts HOPE VI Grant (Seigle Point)

### **Attachments:**

Exhibit A for Resolution 1739 (**Tab 3**)

Resolution No. 1739 (**Tab 4**)

**8.E Budget Amendment: Asset Management Project Budget**

**Action: Approve Resolution No. 1742 to Amend Resolution No. 1708 which amended the Asset Management Project Budget for the fiscal year ending March 31, 2010.**

**Staff Resource:** Ralph Staley

**Strategic Business:** Finance and Administration

**Strategic Goal:** Attain Long – Term Financial Viability

**Explanation:**

As part of the original budget submitted to the Board, staff noted asphalt repair, sealcoat and resurfacings projects at various sites and funding was shown as a part of MTW funds in the Capital Projects – AMPS line item. There are 10 properties where this work will be performed and they are listed below along with the amount attributed to each property.

Charlottetown Terrace	\$10,010
Dillehay Court	61,600
Victoria Square	9,625
Claremont	21,571
Edwin Towers	7,035
Gladedale	8,943
Southside Homes	25,306
Meadow Oaks	9,609
Robinsdale	19,614
Sunridge	<u>32,450</u>
TOTAL	\$205,763

This chart represents a summary of information for each of the sites. A more detailed chart (Attachment A) of information is attached. This project is to be completed by fiscal year end and as such will be included in the capitalized categories for each of the properties listed above.

The Gladedale (\$60,000) and Meadow Oaks (\$318,000) projects have been removed until we receive bids for these projects. Claremont and Victoria Square have been removed because those projects are being funded with ARRA grant funds and should not have been in the action item last month.

Also as part of this amendment items from the capitalized section will be transferred to the Maintenance line item in the amount of \$409,350 due to accounting capitalization rules.

Finally, this amendment includes the re-appropriation of land sale proceeds in the amount of \$509,439 for the Seneca Woods Capital Project. The expenditure for this project will



be shown in Loans to Others. And the reallocation of funds in the amount of \$40,758 from Fund Balance Appropriated to Fund Balance Appropriated-Land Sale Proceeds to correct a previous recording of these funds in Fund Balance Appropriated in Resolution No. 1708 for the Arbor Glen Single Family Homeownership project.

Exhibit A reflects an increase in Other Sources of \$715,202 which represents:

1. the transfer of \$205,763 of MTW funds for capital projects at the sites;
2. the appropriation of fund balance of \$550,197 which is \$509,439 for the Seneca Woods Capital Project and the \$40,758 to move funds to the appropriated fund balance-land sale proceeds account; and
3. the reduction of \$40,758 from appropriated fund balance.

Exhibit A also reflects in the expenditure section:

1. the increase in the Other Maintenance and Operation of \$409,350 for those items that should be expensed;
2. the decrease in Capitalized Items of \$203,587 which is \$205,763 for site projects with an offset of \$409,350 for the items that will be expensed; and
3. an increase in Loans To Others of \$509,439 for funds for the Seneca Woods Capital Project.

**Committee Discussion:**

The Finance & Audit Committee discussed and unanimously approved this item for inclusion on the consent agenda at its meeting on September 2, 2009.

**Funding:**

MTW Funds

Fund Balance Appropriated – Land Sale Proceeds

**Attachments:**

Exhibit A for Resolution No. 1742 (**Tab 3**)

Attachment A-Asphalt, Repair, Sealcoat and Resurfacing Projects (**Tab 3**)

Resolution No.1742 (**Tab 4**)

**8.F Budget Amendment: MTW Funds**

**Action: Approve Resolution No. 1743 to amend Resolution No. 1740 which Amended the MTW Funds Budget for the fiscal year ending March 31, 2010.**

**Staff Resource:** Ralph Staley

**Key Business:** Finance and Administration

**Strategic Goal:** Attain Long- Term Financial Viability

**Explanation:**

Resolution 1731 was approved by the Board at the August Board meeting. However, some items that were included in Resolution 1731 were not approved in other amendments. Those were the Asset Management Project (\$871,165) for sealcoat resurfacing and asphalt repair and the Dillehay Community Center Capital Project Budget (\$300,000) upgrades, computer lab and Communication Center.

In this amendment, staff would like to correct the previously approved transfer of funds from MTW to the amount of \$205,763 for the resurfacing, sealcoat and asphalt repair.

The Gladedale and Meadow Oaks projects have been removed until we receive bids for those projects. Claremont and Victoria Square have been removed because those projects were funded with ARRA grant funds. And the Dillehay Community Center Capital Project has been removed for further study and discussion.

In Resolution 1731 funds were approved for the Wallace Wood project and were approved in the Wallace Woods Capital Project and no adjustment is needed.

The chart below shows the adjustment that staff needs to make for the projects that are not being funded and where funding is being reduced.

	<u>Resolution 1731</u>	<u>Resolution 1743</u>	<u>Variance</u>
Resurfacing, sealcoat, HVAC, Interior painting			
Bathroom project	\$871,165	\$205,763	\$665,402
Dillehay Project	<u>\$300,000</u>	<u>                    </u>	<u>\$300,000</u>
	\$1,171,165	\$205,763	\$965,402

Since Resolution No. 1731 was approved by the Board, the attached Exhibit A shows a reduction in the Operating Transfer Out - Public Housing of \$665,402 and a reduction of Operating Transfer Out- Capital Fund of \$300,000. In Capital Projects-AMPS line item \$965,402 is being added for projects that will be done at a later date.

**Committee Discussion:**

The Finance & Audit Committee discussed and unanimously approved this item for inclusion on the consent agenda at its meeting on September 2, 2009.

**Funding:**

MTW funding

**Attachment:**

Exhibit A for Resolution 1743 (**Tab 3**)

Resolution 1743 (**Tab 4**)

## **8.G Budget Amendment: MTW Funds**

**Action: Approve Resolution No. 1744 to amend Resolution No. 1743 which Amended the MTW Funds Budget for the fiscal year ending March 31, 2010.**

**Staff Resource:** Ralph Staley

**Key Business:** Finance and Administration

**Strategic Goal:** Attain Long- Term Financial Viability

**Explanation:**

In August 2008, Horizon Development Properties, Inc, (Horizon) Board approved the acquisition of 9.59 acres referred to as the “Krefeld Property” for the purposes of future development of affordable housing. Consequently, the site was successfully acquired in November 2008 using the 5<sup>th</sup> /3<sup>rd</sup> Bank line of credit.

Since the 5<sup>th</sup> /3<sup>rd</sup> Bank line of credit was used to acquire the property, it must now be repaid. The payment in the amount of \$1,000,000 is in the form of a loan of MTW funds.

In Exhibit A, Fund Balance Appropriated-MTW is increased and Loans to Other is increased in the amount of \$1,000,000 to repay the 5<sup>th</sup> /3<sup>rd</sup> Bank line of credit.

**Committee Discussion:**

The Finance & Audit Committee discussed and unanimously approved this item for inclusion on the consent agenda at its meeting on September 2, 2009.

**Funding:**

MTW funding

**Attachment:**

Exhibit A for Resolution 1744 (**Tab 3**)

Resolution 1744 (**Tab 4**)

## **Board Workshop**

### **9. A New Corporate Strategic Goals that Support the Revised Mission Statement**

**Action: Adopt New Corporate Strategic Goals that Support the Authority's Expanded Role in Meeting the Unmet Affordable Housing Need in Charlotte/Mecklenburg.**

#### **Explanation:**

The Authority has recently charged the CEO with charting a new course for the agency that emphasizes leadership and expansion of the mission. This new course focuses on meeting the affordable housing need along all points of the affordable housing continuum. The Authority has historically not addressed on homelessness, transitional housing or supportive housing. The new mission includes those areas of the housing continuum along with CHA's traditional roles. The previous Strategic Goals and highlights of the issues they were intended to address are as follows:

#### **Strategy #1: Lead the development of collaborative relationships for affordable housing solutions to a broad continuum of stakeholders**

- Meant to demonstrate collaborative leadership
- Intended to communicate that CHA was easy to work with, and a leader in affordable housing

#### **Strategy #2: Maximize economic, physical, and social value of CHA real estate portfolio**

- Intended to form the policy framework for the asset management decision-making model

#### **Strategy #3: Ensure that the CHA attains long-term financial viability**

- Divert scarce resources to maintaining physical structures
- Find new sources of income

#### **Strategy #4: Provide the best, most marketable real estate management services in the nation**

- Intended to push CHA to become a high performer in PHAS and SEMAP
- Meant to focus CHA on improving the Section 8 program
- Recognized the competitive nature of affordable housing locally with respect to funding and sought to make CHA more competitive

#### **Strategy #5: Create an environment that facilitates the development of client families to reach their highest potential**

- Emphasis on the word "facilitate" instead of "encourages" or the phrase "facilitate the development of" instead of "develops client families"

- Intended to emphasize the core mission of the Authority as property managers
- Meant to recognize the importance of supportive services

The new & revised Corporate Strategic Goals recommended by staff are listed below along with highlights of the issues they are meant to address:

**Strategy #1: Provide affordable housing solutions from homelessness to permanent housing through sustainable strategic partnerships.**

- Recognizes the expanded mission which includes meeting housing needs along the entire affordable housing continuum.
- Communicates the need to secure partners who provide housing services. Recognizes leveraging opportunities.

**Strategy #2: Maximize economic, physical, and social value of CHA real estate portfolio (unchanged)**

- Intended to form the policy framework for the asset management decision-making model

**Strategy #3: Ensure the Authority's long-term financial viability (reworded)**

- Make sound investment decisions
- Take steps to continue the flow of funds from government sources
- Minimize financial risks
- Generate new funding sources

**Strategy #4: Provide high quality, cost effective real estate services that integrate client families into the community's mainstream**

- Use quality and excellence to overcome NIMBY issues
- Become a model for innovatively solving affordable housing issues to the rest of the country

**Strategy #5: Create an environment that encourages client families to reach their highest potential**

- Use Moving Forward as a laboratory of reform that changes clients' culture of dependence into one of self-reliance
- Increase the quality of life for seniors and disabled families in CHA's portfolio

The Board is asked to review and discuss the recommend/revised goals and adopt a new set of Corporate Strategic Goals.

REVISED

**MINUTES OF THE REGULAR BOARD MEETING  
OF THE COMMISSIONERS OF THE  
HOUSING AUTHORITY OF THE CITY OF CHARLOTTE  
HELD ON TUESDAY, AUGUST 18, 2009**

The Board of Commissioners of the Housing Authority of the City of Charlotte, North Carolina held a regular meeting at *CHA Central Office, 1301 South Boulevard, Charlotte NC 28203* at 12 noon on Tuesday, August 18, 2009.

***Present:*** Chairman David Jones  
Vice-Chairman Rodney Moore  
Commissioner Joel Ford  
Commissioner Dan Page  
Commissioner Lucille Puckett  
Commissioner Will Miller

***Also Present:*** Charles Woodyard, CEO  
Sherrod Banks, General Counsel

***Pledge of Allegiance:***

Chairman Jones opened the meeting at approximately 12 noon. The pledge was led by Vice-Chairman Moore. Once completed the public forum was opened.

**Public Hearing: 2009-2010 Moving Forward (MTW) Annual Plan Amendments:**

Chairman Jones announced a public hearing on modifications to our Moving-to-Work demonstration program. This will conclude a 30 day public review period for our proposed amendments to the 2009-2010 moving forward annual plan submission to HUD. The purpose of the MTW demonstration program is to give participating public housing authorities the flexibility to design and test innovative approaches for providing and administering housing assistance that accomplishes HUD's statutory goals, which are to achieve programmatic efficiency, reduce cost, promote self sufficiency among assisted families and increase housing choices for low income households.

We are proposing to amend our 2009-2010 Moving Forward annual plan to include activities that further promote our agencies long term vision and goals as well as the statutory goals. These new activities are:

- 1.) We will create a new appendix to list our five capital fund recovery competition applications. The capital fund recovery competition is part of the ARRA of 2009.

*Regular Board Meeting  
August 18, 2009*

Two separate applications will provide for the transformation of Gladedale Apts. and Strawn Tower. One application will provide the gap financing for Ashley Park and two separate applications will provide for an energy retro-fit of Charlottetown Terrace and Parktowne Terrace. HUD requires public housing authorities to list all capital projects in our annual plan.

- 2.) We are seeking to streamline the multifamily development approval process by eliminating the need for multiple review layers and employing an updated process used in mixed finance projects.
- 3.) Proposing to use funding flexibility to acquire or develop an office building to serve as headquarters for all of CHA staff with the exception of our property management site staff.

The amendments of the annual plan were discussed at our Development Committee meeting on August 5, 2009. The plan amendments were made available for public viewing on July 13, 2009. Copies were placed at the main branch of the public library, city hall and the administrative offices of the Charlotte Housing Authority. The address of 2600 Youngblood Street and 135 Scaleybark Road.

Chairman Jones asked if anyone present had a desire to comment on the amendments to our 2009-2010 Moving Forward annual plan. Hearing none, a motion was asked to close the public hearing.

**ACTION:**

Motion was made by:	Vice-Chairman Moore
Motion was seconded by:	Commissioner Page
Outcome:	Passed unanimously

**Public Forum:**

Chairman Jones asked if there was anyone present that would like to address the Charlotte Housing Authority on any relevant matter. Hearing none the public forum was closed.

**Additions to the Agenda:**

Chairman Jones asked that Item 9.D be moved from the consent agenda to the business agenda for further discussion. Commissioner Puckett requested that Item **9.F, 9.G & 9.I** be moved to the business agenda. Charles Woodyard, CEO, requested to add to his report an informational item concerning the Boulevard Homes/HOPE VI application. Hearing no other changes a motion was asked for the agenda to be approved as modified.



*Regular Board Meeting  
August 18, 2009*

**ACTION:**

Motion was made by: Commissioner Ford  
Motion was seconded by: Commissioner Puckett  
Outcome: Passed unanimously

**Consideration to approve the minutes for:**

- Regular Board Meeting held *June 16, 2009*
- Regular Meeting held *July 6, 2009*
- Special Meeting held *July 8, 2009*
- Public Hearing held *July 8, 2009*

Commissioner Ford noted a correction under the minutes for Special Board meeting held July 8, 2009 on page 3, it is listed as an abstention for Commissioner Ford however it should be corrected as a **no vote**.

**ACTION:**

Motion was made with the correction: Commissioner Puckett  
Motion was seconded by: Vice-Chairman Moore  
Outcome: Passed unanimously

**Resident Advisory Council (RAC) Report:**

An update was given by: Ms. Jennis Belk

- ❖ On July 1, 2009 the RAC Board of Directors held their team meeting. Some of the business items discussed were the A&O policy, CHA Scholarship, the health fair that was attended in June by Ms. Mary Stitt, RAC fundraiser and the TSSI conference to be held in Philadelphia.
- ❖ RAC held their team meeting on July 14, 2009 with all members. Updated on the following were given: CHA Scholarship by Ms. Lucy Brown  
RAC training update by Melda Heath and  
Commissioner Puckett gave a report
- ❖ Tuesday, July 21, 2009 Ms. Stitt and Ms. Belk visited Mallard Ridge Community Center @ 5:30 p.m. and organized the nomination committee. Additional communities organized were Leafcrest and Cedar Knoll on July 23, 2009.
- ❖ July 28, 2009 RAC held their monthly Quality Circle meeting. Thanks to Commissioner Joel Ford, Ms. Lekeista Freeman, RAC liaison, CHA, Ms. Linda Johnson, RAC's legal advisor, along with the RAC Board of Directors for attending.

*Regular Board Meeting  
August 18, 2009*

- ❖ RAC Team Leadership training dates for the month of July 2009 were, July 7th, 9, 14, 16, 21, 23, 28 & 30<sup>th</sup> facilitated by Ms. Spears.
- ❖ There was fundraiser held on August 17, 2009 and the purpose was for the women's homeless shelter. RAC raised \$354.00 and purchased school supplies for 100 children. Other communities joined RAC and together over \$400.00 worth of supplies was delivered.

**Monthly Report from the CEO:**

**Monthly Scorecard:**

Mr. Woodyard, CEO, recognized Ms. Cheryl Campbell, Deputy COO, to give the report: The scorecard is located behind tab 1. It was highlighted that our utilization rate relating to Section 8 is at 96%. This is slightly off target. The remainder of the report is on target.

**Budget to Actual Reports – 6/30/09:**

Mr. Ralph Staley, CFO, gave the following reports:

This item was discussed in the Finance Committee at which he stated that if anyone had questions to call him. He can be contacted at 704.336.5346.

**Cash Balance and Restriction Report:**

This item was discussed in the Finance Committee at which he stated that if anyone had questions to call him. He can be contacted at 704.336.5346.

**Land Sales Proceeds Report:**

Mr. Staley, stated that this report is to keep the Board apprised of land that has been sold and the amount of those funds that have been committed to future projects by the Board. Hearing no questions, he ended the report.

**Notification of Administrative Budget Changes:**

Mr. Staley explained that as part of adopting the budget, the Board allows and/or CEO/designee to move money between line items in the budget without going back before the Board. However, the amount could not exceed more than \$50,000 between line items. Any amount over that has to be presented before the Board for approval. It is \$100,000 in capital grant projects. These are the changes that have been made in the last quarter under that authority. The Board also, as part of adopting the budget, requires that these changes to the budget be reported at the

*Regular Board Meeting  
August 18, 2009*

time of the BAR report. This is that official reporting. He asked for questions, hearing none that ended the reports.

At this point there were questions relating to the BAR report and discussions by the Board members about those questions. Mr. Staley and Ms. Hughes answered the Board questions.

**Boulevard HOPE VI Application:**

This item was added to the agenda as an information update for the Board. Mr. Woodyard requested that Ralph Staley, CFO, Tylee Kessler, Sr. Development Officer and Cheryl Campbell, Deputy COO were asked to give the update to the Board. As you are aware we are in the process of looking at revitalizing Boulevard Homes and submitting the HOPE VI application. There are a few things we need to do as we move forward. There have been a few changes in are partners and we will need to make some financial moves within the budget; however, we want to inform the Board.

Ms. Campbell started by explaining the partnership with the Salvation Army Boys/Girls Club in the Boulevard Homes Community. The Salvation Army has lost roughly \$300,000 in funding from the United Way; therefore, that has put Boulevard Homes at the top of their closure list. They are in the process of trying to raise funds and if they do not raise the capital by September 10, 2009 they will surely close Boulevard. The Boys & Girls club is providing a significant role at Boulevard Homes; therefore, they have approached the Charlotte Housing Authority with a funding request. CHA is recommending that we continue our partnership by providing them a financial guarantee that they will have operating capital at least until next year, during our redevelopment phase. We are hopeful they will make their capital goal but if they don't, then we are prepared to step in and close the funding gap. We estimate that to be roughly about \$150,000. This is the recommendation of staff.

Kathleen Foster, VP of Real Estate Development, continued with information. Due to the change in the NOFA it puts a big emphasis on early childhood development, as well as the importance of finding a qualified partner in the neighborhood and additional points to have a program already started. We have been working with Thompsons and they have six slots available for children at Boulevard that are currently open. We are recommending that we move some money internally in the client services budget to be able to fund those six slots for qualified children from Boulevard. The amount to be transferred is in the range of about \$33,000.

## **Committee Reports**

### **Client Relations Committee:**

Vice-Chairman Moore gave the update:

- The meeting took place on August 5, 2009.
- Discussion of the census 2010 complete count committee.
- There was a Moving Forward update:  
Presented were three real estate amendments that were reviewed through client relations as well as the development committee.
- RAC update.
- Brief discussion on the WIT (Women-in-Transition) program. This program was approved for recommendation to the full Board.
- Discussion of the Housing Occupancy Plan (HOP) and Resident Handbook.
- Client Services priority tier. Commissioner Miller was very helpful in facilitating the conversation.
- Update on the meetings which have taken place at Southview Recreation to inform the public and the residents about our initiative and our timing for the Boulevard Homes disposition.
- Presentation was given by Ms. Sharbara Ellis, Section 3 Coordinator.

### **Development Committee:**

Chairman Jones gave the following update:

- ✓ The meeting took place at 12 noon on August 5, 2009.
- ✓ Several items are listed on the Consent Agenda and a few have been pulled for further discussion under the Business Agenda.
- ✓ Also under the Business Agenda there will be consideration to approve the Development Agreement for two of the onsite components for Boulevard Homes.
- ✓ Received an update of various matters in closed session regarding the status of real estate purchases.

### **Finance and Audit Committee:**

Commissioner Ford gave the following update:

- There are several budget amendment items that were approved in the Finance and Audit Committee. Commissioner Ford reminded the Board and the audience of the Collection Loss Report; the subcommittee approved the write-off of \$32,225.80 in accounts

*Regular Board Meeting  
August 18, 2009*

- receivable due to the collection losses for tenants vacated through 3/31/09. Additionally the write-off was approved in the amount of \$4,345.20 in accounts receivable.
- Additional approved Resolution No. **1725** to negotiate an award contract for General Counsel Legal Services. Which is a two year term with an option up to five years. Which is listed on today's agenda for further discussion.
- The Audit Report was given by Mr. Staley, then a list of the comments were disseminated to the Board.
- Also received a RAC financial informational update.

**Consent Agenda Action Items:**

Chairman Jones reminded the Board that Items **9.D, 9.F, 9.G & 9.I** have been **pulled** to be considered under the Business Agenda. A motion was requested to approve the remaining items which are: **9.A, 9.B, 9.C, 9.E, 9.H, 9.J, 9.K, 9.L, 9.M, & 9.N**

**ACTION:**

Motion was made by:	Commissioner Ford
Motion was seconded by:	Commissioner Puckett
Outcome:	Passed unanimously

**Business Agenda Action Items:**

**10.A Boulevard Homes 2009 HOPE VI Regular Board Meeting of the Charlotte Housing Authority Board of Commissioners.**

Approve Resolution No. 1729 authorizing the CHA to proceed with negotiating and finalizing a component development agreement for the Family and Senior Rental Components of the Boulevard Homes Revitalization.

**ACTION:**

NOTE: Chairman Jones stated that he is not able to vote on this item because the recommended party is a client at his law firm. The motion is being made that we approve the staff recommendation to engage Crosland as the developer of the two onsite components.

Motion was made to approve w/Tylee Kessler's review of the contract:	Commissioner Page
Motion was seconded by:	Vice-Chairman Moore

Outcome: Passed with the exception of  
Chairman Jones. See notation  
above.

Chairman Jones suggested that Commissioner Ford and Commissioner Page would be good choices for the review committee. This is a request not an appointment. Chairman Jones asked that they confirm if they are able to fill the request.

**10.B Selection of General Counsel Legal Services Provider:**

Approve Resolution No. 1725 to authorize the Finance and Audit Committee to negotiate and award the contract for General Counsel Legal Services with The Banks Law Firm. Contract shall be for a two year term with an option to extend up to a total of five years.

**ACTION:**

Motion was made by: Commissioner Page  
Motion was seconded by: Vice-Chairman Moore  
Outcome: Passed unanimously

**NOTE:** Listed below are the items pulled from the Consent Agenda for discussion under the Business Agenda

**9.D Charlotte Housing Authority Office Building:**

Approve Resolution No. 1726 authorizing staff to initiate the Due Diligence effort related to the purchase of 222 South Church Street and the adjacent 228 South Church Street. NOTE: This item was pulled from open discussion and moved to closed discussion in Executive Session. This item was discussed fully in closed session then a motion by Commissioner Page and seconded by Commissioner Puckett the motion carried unanimously to go back into open session and vote. The final motion was as follows: Chairman Jones requested that a motion be made to put a stop to going forward on 222 South Church Street project. Authorize staff to move aggressively on Youngblood while maintaining receptivity on other acquisition opportunities that present themselves and to advise the Board periodically as to what those opportunities are.

**ACTION:**

Motion was made by: Vice-Chairman Moore  
Motion was seconded by: Commissioner Ford  
Outcome: Passed unanimously

**9.F Budget Adoption: Dillehay Courts Community Center Renovation Project Capital Budget:**

Approve Resolution No. **1720** to adopt the Dillehay Courts Community Center Capital Project Budget.

Commissioner Puckett requested that this item be pulled from the Consent Agenda for further discussion under the Business Agenda. Once the detailed in-depth discussion was completed Chairman Jones requested that this item be sent back to staff for reevaluation and provide an actual budget with more descriptive information.

**9.G Budget Adoption: Wallace Woods Renovation Project Budget:**

Approve Resolution No. **1721** to adopt the Wallace Woods renovation Capital Project budget.

Commissioner Puckett requested that this item be pulled from the Consent Agenda for further discussion. Once discussion was completed Chairman Jones asked for a motion to approve this item.

**ACTION:**

Motion was made by:	Commissioner Page
Motion was seconded by:	Commissioner Miller
Outcome:	Passed unanimously

**9.I Budget Amendment: Asset Management Project Budget:**

Approve Resolution No. **1722** to amend Resolution No. 1708 which amended the Asset Management Project budget for the fiscal year ending March 31, 2010.

Chairman Jones asked the Commissioners if we should table this item until next month; it was consensus of the Board to table this item.

Chairman Jones then stated that remaining on the agenda is **Item 9.D** and the Board Workshop; therefore, he requested a motion to suspend the Charlotte Housing Authority Board meeting for purposes of holding short meetings for Horizon Development Properties, Inc. and CORE Programs, Inc. then return to open session.

*Regular Board Meeting  
August 18, 2009*

**ACTION:**

Motion was made by: Vice-Chairman Moore  
Motion was seconded by: Commissioner Puckett  
Outcome: Passed unanimously

Chairman Jones asked that we reconvene the Housing Authority meeting to request a motion to go into Executive Session concerning the Office Building items which are both listed on the CHA agenda and the Horizon Development Agenda.

Lastly, Chairman Jones deferred the remaining item on the agenda. Since we are not moving forward on 222 South Church then the two items in the Horizon Development business agenda are no longer valid. Motion was made to adjourn all meetings.

**ACTION:**

Motion was made by: Commissioner Puckett  
Motion was seconded by: Vice-Chairman Moore  
Outcome: Passed unanimously

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Minutes respectfully prepared by: Barbara G. Porter  
Executive Assistant to the CEO

***The next meeting will be held on Tuesday, September 15, 2009 at the Central Office of the Charlotte Housing Authority, 1301 South Boulevard, Charlotte, NC 28202. The meeting will start promptly at 12 noon, however lunch/refreshments will be served at 11:30 a.m. for the commissioners. If any questions/comments, please contact the Executive Office @ 704.336.5221.***



**Horizon Development Properties, Inc**  
**Board of Directors**  
**AGENDA**

*Central Office*  
*1301 South Boulevard*  
*Charlotte, NC 28203*

*September 15, 2009*

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***Directly After CHA Board Meeting – Meeting Convenes:***

Regular Meeting Agenda:

1. Additions to the Agenda
2. Consideration to Approve the Minutes for:
  - *Meeting held on August 18, 2009 (Tab 3)*
3. **Business Agenda Item:**
  - A. The Lofts at Seigle Point – Horizon Development Properties, Inc.  
Budget Adoption: The Lofts at Seigle Point **(p.1)**
  - B. Villa Court Apartments **(p.9)**
  - C. Budget Amendment: Horizon Development Properties, Inc.  
(Arbor Glen 50) **(p.11)**
  - D. Budget Amendment: Horizon Development Properties, Inc.  
(Krefeld) **(p.13)**
  - E. Horizon Development Properties, Inc. Accept MTW Loan  
Budget Amendments: Strawn Apartments, Charlottetown Terrace and  
Parktowne Terrace **(p. 15)**
  - F. Woodlawn House **(p.18 )**
  - G. Budget Amendment: Woodlawn House **(p.23)**
  - H. McMullen Woods **(p.25)**
4. **Executive Session:**
  - A. Woodlawn House
  - B. McMullen Woods

**3.A The Lofts at Seigle Point – Horizon Development Properties, Inc.  
Budget Adoption: The Lofts at Seigle Point**

**Action: 1. To approve the resolution to authorize Horizon to incur expenses related to Predevelopment Expenses for The Lofts at Seigle Point, to establish a Budget of up to \$500,000 and to accept the loan for that purpose.**

**Action: 2. To approve The Lofts at Seigle Point Capital Project Budget in Horizon Development Properties, Inc.**

**Staff Resource:** Ben Collins and Ralph Staley

**Strategic Business:** Real Estate and Finance Administration

**Strategic Goal and/ or Policy:** Maximize Economic, Physical, and Social Value of our Real Estate Portfolio Attain Long-Term Financial Viability

**Explanation:**

The Lofts at Seigle Point is proposed to be the final on-site component of the Seigle Point HOPE VI redevelopment of the former Piedmont Courts. The development is proposed to be a mixed-income project including 190 units of which 80% will be market rate and 20% will be affordable to those earning less than 30% AMI subsidized by CHA Project Based Section 8.

The development is proposed to consist of 23 studio, 115 one-bedroom, 44 two-bedroom and 8 three-bedroom units for a total of 190 units. The project will be constructed in 4 and 5 story wood framed construction with an integrated clubhouse and pool/amenity area surrounding a pre-cast structured parking deck. Parking has been provided at a ratio of 1 per bedroom, plus 10 spaces for leasing and guests, additional on-street parking is also available. The project has been designed to create a balance of density, parking and construction type in order to create the optimal economic balance.

The development will meet the following objectives:

1. It will add much needed market rate units to the Seigle Point community. Without the addition of market rate households, Seigle Point will remain substantially very low income and will not be the vibrant mixed-income community which was originally sought.

2. It will serve as a model for mixed-income development. While leveraging CHA funds at a ratio of 4 to 1, the development will create a luxury environment where CHA's residents will live along side working professionals near Charlotte's Uptown. This environment will be ideal situation for these residents to excel in CHA's Moving Forward program.
3. It will promote CHA's financial sustainability. It is anticipated that the development will have a total Development Fee of \$1,000,000 and \$200,000 in cash available for distribution to CHA & Horizon.

An extensive market analysis has been conducted by Fred Beck & Associates which has taken into account comparable properties that are existing, in lease-up and proposed (see attached summary market analysis). The Lofts at Seigle Point has been underwritten to compete with these comparable properties at today's rents at a point in time when three market factors have converged to create the most challenging rental market that Charlotte has seen for some time. The market factors that have lead to this market condition are: Economic recession including associated job losses, record levels of new multi-family construction and the conversion of distressed condominium developments to rental.

Taking into consideration the above factors, there are several points why we believe a conservatively underwritten development would be well positioned to succeed. These points are as follows:

1. The projects that are now under construction will be leased-up or substantially leased-up by the time that The Lofts at Seigle Point will deliver units.
2. Market conditions and lack of financing have depleted the number of proposed new multi-family developments. From September 08 to March 09 the number of proposed multi-family developments dropped from roughly 14,000 to roughly 4,000 and over the past 6 months only 48 units have begun construction (CMHP – Double Oaks).
3. Construction costs have decreased by 10-20% from 2008 pricing, creating very attractive pricing.

It is anticipated that The Lofts at Seigle Point will deliver units in the beginning of the 3rd Quarter 2011 into a market that will have little or no lease-up competition. With underwriting that is supported in distressed market conditions and taking advantage of optimal construction pricing, The Lofts at Seigle Point should be well positioned to succeed as the market moves toward recovery.

The project is proposed to utilize HUD's 221(d)(4) program, which will provide debt equal to roughly 75% of cost. We have elected to utilize the program's two step process consisting of a Preliminary and Final application. Our 221(d)(4) sponsor is Capmark Finance, the leading sponsor of 221(d)(4) financing in the country as well as in North Carolina. All preliminary underwriting has been completed including a market study and rent and expense analysis. The following project details reflect the outcomes of this thorough initial underwriting process.

## Sources and Uses

	Amount	Per Unit	Per Sqft
<b>SOURCES</b>			
CHA MTW <sup>1</sup>	\$ 4,809,889	\$ 25,315	\$ 28.63
NSP <sup>1</sup>	1,000,000	5,263	5.95
221(d)(4) <sup>2</sup>	18,650,403	98,160	111.00
Total Sources	\$ 24,460,292	\$ 128,738	\$ 145.58
<b>USES</b>			
Pre-Dev & Admin	\$ 95,000	\$ 500	\$ 0.57
Land <sup>3</sup>	-	-	-
Construction	18,587,336	97,828	110.63
Design	630,000	3,316	3.75
Municipality Fees	150,000	789	0.89
Developer Fee	1,079,931	5,684	6.43
Legal, Fin, Ins, RE Tax	1,237,400	6,513	7.36
FF&E	-	-	-
Contingency	494,055	2,600	2.94
Operating Reserve	750,000	3,947	4.46
Working Capital	373,008	1,963	2.22
Construction Interest	1,063,563	5,598	6.33
Total Uses	\$ 24,460,292	\$ 128,738	\$ 145.58

<sup>1</sup> 20 year term, 2% interest only, cash flow contingent

<sup>2</sup> 40 year term/amort, 7% interest, min. 1.11 DCR

<sup>3</sup> 99 year ground lease

## Rents

Description	# of Units	SF/Unit	Rent/Unit	Rent/SF
S1 - 0BR/1BA - Mkt	23	603	\$ 800	\$ 1.33
A1 - 1BR/1BA - Mkt	65	784	\$ 975	\$ 1.24
A2 - 1BR/1BA - Mkt	27	795	\$ 985	\$ 1.24
A3 - 1BR/1BA - Mkt	9	861	\$ 1,020	\$ 1.18
A1 - 1BR/1BA - PBS8 <sup>1</sup>	14	784	\$ 709	\$ 0.90
B1 - 2BR/2BA - Mkt	4	1,149	\$ 1,220	\$ 1.06
B1b - 2BR/2BA - Mkt	5	1,080	\$ 1,175	\$ 1.09
B2 - 2BR/2BA - Mkt	9	1,159	\$ 1,300	\$ 1.12
B3 - 2BR/2BA - Mkt	8	1,190	\$ 1,310	\$ 1.10
B1 - 2BR/2BA - PBS8 <sup>1</sup>	2	1,149	\$ 775	\$ 0.67
B1b - 2BR/2BA - PBS8 <sup>1</sup>	3	1,080	\$ 775	\$ 0.72
B2 - 2BR/2BA - PBS8 <sup>1</sup>	7	1,159	\$ 775	\$ 0.67
B3 - 2BR/2BA - PBS8 <sup>1</sup>	6	1,190	\$ 775	\$ 0.65
C1 - 3BR/2BA - Mkt	2	1,475	\$ 1,580	\$ 1.07
C2 - 3BR/2BA - PBS8 <sup>1</sup>	6	1,475	\$ 982	\$ 0.67
TOTAL/AVERAGE <sup>2</sup>	190	882	\$ 965	\$ 1.09

<sup>1</sup> PBS8 rents are based on 120% FMR for 2009

<sup>2</sup> Average market rent per unit is \$1,012 and per sqft. is \$1.21

## Revenue and Expense Summary

REVENUE	Budget	Per Unit
Schedule Rent	\$ 2,331,762	\$ 12,272
Vacancy	<u>(173,691)</u>	<u>(914)</u>
	2,158,071	11,358
Other Income	<u>149,531</u>	<u>787</u>
Total Revenue	\$ 2,307,602	\$ 12,145
EXPENSES		
Payroll	\$ 166,345	\$ 876
General & Admin	47,947	252
Marketing	26,420	139
Redecorating	39,140	206
Management Fee	92,304	486
Utilities	94,915	500
Janitorial	22,701	119
Repairs and Maintenance	48,925	258
Landscaping	19,570	103
Insurance	39,140	206
Taxes	39,140	206
Replacement Reserves <sup>1</sup>	<u>76,178</u>	<u>401</u>
Total Expenses	712,725	3,751
Net Operating Income	1,594,877	8,394
Debt Service	<u>1,388,463</u>	<u>7,308</u>
Total Cash Flow <sup>2</sup>	\$ 206,414	\$ 1,086
Support Services <sup>3</sup>	38,000	200
CHA MTW <sup>4</sup>	96,198	506
NSP <sup>4</sup>	<u>20,000</u>	<u>105</u>
Net Cash Flow	\$ <u>52,216</u>	\$ <u>275</u>

<sup>1</sup> Per HUD 221(d)(4) formula

<sup>2</sup> Provides 1.15 Debt Coverage

<sup>3</sup> Provides \$1,000/PBS8 Unit

<sup>4</sup> Assumes MTW and NSP are interest only loans at 2%

## Schedule

221(d)(4) Preliminary Application Submittal:	3rd Quarter 2009
221(d)(4) Final Application Submittal:	2nd Quarter 2010
Closing:	3rd Quarter 2010
Construction Start:	3rd Quarter 2010
Delivery of Clubhouse and 1st Units:	3rd Quarter 2011
Project Completion:	1st Quarter 2012

## Risk Analysis

If approved, staff will continue to move forward with design, construction analysis and on-going market feasibility analysis. While working toward submission of the Final Application, staff will monitor and assess the following risks:

### 1. Interest Rates:

- a. Risk: The analysis presented in this report assumes an interest rate on the 221(d)(4) debt of 7%. Current rates are in the 6.5% range.
- b. Mitigating Factor(s): If other proforma assumptions hold true, we would be able to support up to a 7.3% interest rate and still meet HUD underwriting guidelines. If rates are higher than what will underwrite upon receipt of final HUD commitment it would be possible to wait for rates to come down or increase our investment to buy the rate down.

### 2. MTW Use of Funds:

- a. Risk: There is currently a question as to whether or not we can invest MTW funds as capital to construct units that will be assisted by Section 8 (vs. Section 9). Steve Holmquist with Reno Cavanaugh is assisting us and The Banks Law Firm to obtain a clarification on this point from HUD. If HUD's response to this clarification is unfavorable CHA would not be able to invest MTW funds into the project.
- b. Mitigating Factor(s): If MTW funds are not available for this project, CHA would be able to invest NSP2 funds if that award is successful.

### 3. Market Rents:

- a. Risk: The most that market rents could drop and still allow the project to underwrite, all other assumptions remaining equal, would be \$40/unit/month.
- b. Mitigating Factor(s): The rents that have been underwritten in this report have been conservatively underwritten relative to their competition during perhaps the bottom of the market. Having said that, if rents were to drop by more than \$40 the project would require additional capital in order to underwrite. NSP2 funds could be a potential source of additional funds.

### 4. Property Tax Exemption:

- a. Risk: The analysis presented in this report anticipates that Horizon Development Properties, Inc. will be the sole owner of The Lofts at Seigle Point and that it will receive a property tax exemption for the property.

- b. Mitigating Factor(s): Staff has discussed the proposed project with the Tax Assessor and has received favorable feedback regarding a property tax exemption. A letter has been issued from the Assessor indicating that the property would be considered for the exemption so long as it meets the statutory requirements, which we believe we do. It is anticipated that property tax exemption will be received in Spring 2010. If, for some reason, property tax exemption was not received the project would require an additional \$2,000,000 in capital funds which could come from NSP2.

**Approve the The Lofts at Seigle Point Capital Project Budget in Horizon Development Properties, Inc.**

In 2001 the North Carolina State Legislature passed General Statute 159-42 entitled “Special regulations pertaining to public housing authorities”. The statute requires housing authorities to adopt a project ordinance as defined in General Statute 159-13.2. for those programs which span two or more fiscal years. In the past the authority has presented budgetary information on grant projects as a part of the grant process, but has not set out a separate resolution to adopt a grant project ordinance. In an effort to clearly show compliance with the State statute, the staff of the authority intends to prepare a grant project ordinance for each grant and have the Board adopt the project ordinance by resolution.

The budget is to be established in the amount of \$500,000 constituting the following:

Design	\$430,000
Legal	35,000
Survey	5,000
Environmental	10,000
Market Study & Appraisal	<u>20,000</u>
Total	\$500,000

Exhibit A reflects Other Sources in the Amount of \$500,000 and the expenditures are in the Administrative line item.

Also as a part of this amendment the Chief Executive Officer (CEO) or his/her designee may transfer funds as provided below. All such transfers must be consistent with state or federal laws and local board policies. The CEO or his/her designee must report any such transfers at the regular meeting of the board at which the budget to actual results are discussed and transfers between functions must be entered in the minutes of that meeting.

1. The CEO may transfer between sub-functions and objects of expenditure within a function.
2. The CEO may transfer amounts not to exceed \$100,000 between functions.
3. The CEO may not transfer any amounts between funds or increase the total amount of a fund.



**Committee Discussion:**

Both the Development and the Finance & Audit Committee discussed and unanimously approved this item for inclusion on the consent agenda at its meeting on September 2, 2009.

**Community Input:**

This project required rezoning and as part of that process a community meeting and public hearing were held. No concerns were raised at either of these meetings.

**Funding:**

This project will require financing through HUD's 221(d)(4) program. The preliminary application will be filed in 3<sup>rd</sup> Quarter 2009. Final application will be submitted in 2<sup>nd</sup> Quarter 2010.

MTW Funds

**Attachment:**

Market Analysis (**Tab 1**)

Resolution to Incur Expense, Adopt Budget and Accept loan. (**Tab 2**)

**RECORDING OFFICER'S CERTIFICATION**

I, Barbara Porter, the duly appointed Secretary of the Horizon Development Properties, Inc., do hereby certify that the above item was properly adopted at a regular meeting held September 15, 2009.

(SEAL)

BY: \_\_\_\_\_  
Barbara Porter, Secretary

**3.B Villa Court Apartments – Horizon Development Properties, Inc.**

<p><b>Action: Adopt a Resolution to Authorize Horizon to Dispose of Villa Court Apartments at Appraised Value.</b></p>
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**Staff Resource:** Jeff Meadows

**Strategic Business:** Real Estate

**Strategic Goal:** Attain Long-Term Financial Viability

**Explanation:**

Staff has received an unsolicited offer to purchase Villa Court Apartments from Capstone Realty Advisors. The buyer is Infinity investments. The buyer is represented by Steve Peterson. The group is based in California. The buyer intends to retain the Section 8 Contract administered by the Greensboro Field Office. The buyer has engaged a management company with experience managing Section 8 properties to facilitate the transfer of the contract.

Horizon is interested in disposing of the property primarily due to the subsidy source. The project is the only project in the portfolio that has a Section 8 contract administered through the Greensboro field office. This creates a need to maintain a skill set to operate one property that that is not required elsewhere within the portfolio. While the property is not a section 9 site and has not been formally considered in the Strategic Asset Model (SAM), staff has evaluated the property by the standards set in SAM. The property would be a “hold until the end of the useful life” vs. rehabilitate or reposition. Given the intent of the buyer to maintain the affordability of the units, the asset management resources utilized by the property and the SAM evaluation. Staff recommends the disposition of the site.

Staff has negotiated a preliminary purchase price of \$1,040,000 (based on an appraisal commission by Horizon). The real estate commission is set at 4% and will be paid by the seller (Horizon). The property will be financed through FHA. The final purchase price will be determined by the lenders appraisal. Horizon will request a locally based appraisal firm. The CEO or his designee would then determine if the final price is acceptable. We have committed to 35 days of due diligence. At the end of that time, \$10,000 earnest money deposit would “go hard” or be returned to the buyer if the buyer chooses not to proceed. Earnest money would be credited to the purchase price. The closing would occur within 75 days of contract execution based on the financing contingency.

The project consists of 36 units: all two-bedroom units in six buildings in a two story townhouse style. The units range from about 637 sq. ft. up to around 744 sq, ft with an average 715 sq. ft. for all units. There is ample parking with 55 spaces. The property is 2.01+/- acres and is located in Southeast Charlotte just of Randolph Rd in the Grier

Heights Neighborhood. The property is zoned R22MF, which allows for multifamily residential. The property has historically experienced high occupancy due to the Section 8 Contract.

**Committee Discussion:**

The Development Committee recommended the action unanimously at the meeting on September 2, 2009. Comments were not offered.

**Funding:**

None.

**Attachment**

Resolution Authorizing the Disposition (**Tab 2**)

**RECORDING OFFICER'S CERTIFICATION**

I, Barbara Porter, the duly appointed Secretary of the Horizon Development Properties, Inc., do hereby certify that the above item was properly adopted at a regular meeting held September 15, 2009.

(SEAL)

BY: \_\_\_\_\_  
Barbara Porter, Secretary

### **3.C Budget Amendment: Horizon Development Properties, Inc.**

**Action: Approve an Amendment of the Horizon Development Properties, Inc. Budget for the Fiscal Year Ending March 31, 2010.**

**Staff Resource:** Ralph Staley

**Strategic Business:** Finance Administration

**Strategic Goal:** Attain Long-Term Financial Viability

**Explanation:**

Arbor Glen 50 is owned by Horizon Development Properties, Inc. and is managed by Crosland. In the past this property has not been included in the Horizon budget, but it should be at this time due to completion of renovation and ownership by Horizon Development Properties, Inc. Per information from Crosland, Revenue is budgeted in the Tenant Rent (\$292,379) and Other Revenue (\$5,738) accounts. Administrative expenditures total \$53,565, Tenant and Social Services equal \$3,000, Ordinary Maintenance expenditures are \$65,293, Utilities total to \$18,135, and Other General and Administrative expenditures are \$158,124.

Exhibit A shows total Revenue and Other Sources of \$298,117. Total Expenditures, which are broken out into major categories as illustrated above, are also shown in the amount of \$298,117.

Also, as a part of this amendment the Chief Executive Officer (CEO) or his/her designee may transfer funds as provided below. All such transfers must be consistent with state or federal laws and local board policies. The CEO or his/her designee must report any such transfers at the regular meeting of the board at which the budget to actual results are discussed and transfers between functions must be entered in the minutes of that meeting.

1. The CEO may transfer between sub-functions and objects of expenditure within a function.
2. The CEO may transfer amounts not to exceed \$50,000 between functions.
3. The CEO may not transfer any amounts between funds or increase the total amount of a fund.

**Committee Discussion:**

The Finance & Audit Committee discussed and unanimously approved this item for inclusion on the consent agenda at its meeting on September 2, 2009.

**Funding:**

None

**Attachment**

Amended Horizon Budget (**Tab 1**)

**RECORDING OFFICER'S CERTIFICATION**

I, Barbara Porter, the duly appointed Secretary of the Horizon Development Properties, Inc., do hereby certify that the above item was properly adopted at a regular meeting held September 15, 2009.

(SEAL)

BY: \_\_\_\_\_  
Barbara Porter, Secretary

### **3.D Budget Amendment: Horizon Development Properties, Inc.**

**Action: Approve an Amendment of the Horizon Development Properties, Inc. Budget for the Fiscal Year Ending March 31, 2010.**

**Staff Resource:** Ralph Staley

**Strategic Business:** Finance Administration

**Strategic Goal:** Attain Long-Term Financial Viability

**Explanation:**

In August 2008, Horizon Development Properties, Inc, (Horizon) Board approved the acquisition of 9.59 acres referred to as the “Krefeld Property” for the purposes of future development of affordable housing. Consequently, the site was successfully acquired in November 2008 using the 5<sup>th</sup> /3<sup>rd</sup> Bank line of credit.

The 5<sup>th</sup> /3<sup>rd</sup> Bank line of credit was used to acquire the property and must now be repaid. The payment in the amount of \$1,000,000 is in the form of a loan of MTW funds.

Exhibit A shows the loan in the Proceeds from Notes, Loans and Bonds line item and the expenditure for \$1,000,000 is shown in Other General.

Also, as a part of this amendment the Chief Executive Officer (CEO) or his/her designee may transfer funds as provided below. All such transfers must be consistent with state or federal laws and local board policies. The CEO or his/her designee must report any such transfers at the regular meeting of the board at which the budget to actual results are discussed and transfers between functions must be entered in the minutes of that meeting.

1. The CEO may transfer between sub-functions and objects of expenditure within a function.
2. The CEO may transfer amounts not to exceed \$50,000 between functions.
3. The CEO may not transfer any amounts between funds or increase the total amount of a fund.

**Committee Discussion:**

The Finance & Audit Committee discussed and unanimously approved this item for inclusion on the consent agenda at its meeting on September 2, 2009.

**Funding:**

Proceeds from Notes, Loans and Bonds

**Attachment**

Amended Horizon Budget (**Tab 1**)

**RECORDING OFFICER'S CERTIFICATION**

I, Barbara Porter, the duly appointed Secretary of the Horizon Development Properties, Inc., do hereby certify that the above item was properly adopted at a regular meeting held September 15, 2009.

(SEAL)

BY: \_\_\_\_\_  
Barbara Porter, Secretary

**3.E Horizon Development Properties, Inc. – Accept CHA MTW Loan Budget Amendment: Strawn Apartments, Charlottetown Terrace and Parktowne Terrace**

- Action:**
1. Requesting authorization for Horizon Development Properties, Inc. to accept the \$630,000 CHA MTW Loan for predevelopment activity.
  2. Approve the Amendment of a Development Budget for Strawn Apartments in Horizon Development Properties, Inc.
  3. Approve the Amendment of a Development Budget for Charlottetown Terrace in Horizon Development Properties, Inc.
  4. Approve the Amendment of a Development Budget for Parktowne Terrace in Horizon Development Properties, Inc.

**Staff Resource:** J. Daniels, Ralph Staley

**Key Business:** Real Estate, Finance and Administration

**Strategic Goal:** Maximize Economic, Social, and Physical Value of Real Estate; Attain Long- Term Financial Viability

**Explanation:**

Horizon Development Properties, Inc. will be acting as developer for the substantial rehabilitation of Strawn Apartments, Charlottetown Terrace and Parktowne Terrace. The CHA Board was asked to approve Resolution No. 1736 to provide authorization for CHA to make an additional MTW loan in the amount of \$630,000 to Horizon for pursuit costs incurred in predevelopment activities for the aforementioned properties. The Board previously approved \$200,000 for pursuit cost: Strawn-\$60,000, Charlottetown-\$60,000 and Parktowne -\$80,000. Upon approval, the attached resolution will authorize Horizon to accept this loan from CHA. In addition, staff will execute necessary loan documents. The funds will be used as follows:

	Strawn	Charlottetown	Parktowne
Schematic Design	\$12,500	\$15,500	\$ 6,000
Design Development	18,750	23,250	19,000
Construction Documents	75,000	93,000	70,000
Project Specifications	5,000	9,500	8,000
MEP- Design Services	30,000	49,500	30,000
MEP – LEED	5,500	8,000	-
Structural Engineering	5,000	5,000	5,000
LEED Commissioning	50,000	50,000	47,000
LEED Administrator	20,000	20,000	-
G/C Bid Process	5,000	5,000	5,000



Misc.	10,000	10,000	10,000
Permitting Coordinator			8,500
Landscape Architect			<u>10,500</u>
Subtotal	<u>236,750</u>	<u>288,750</u>	219,000
Contingency 10%	<u>23,675</u>	<u>28,875</u>	<u>21,900</u>
Total	\$ 260,425	\$317,625	\$240,900
Additional Contingency	<u>4,575</u>	<u>2,375</u>	<u>4,100</u>
Total Amount Requested	\$265,000	\$320,000	\$245,000

The Board is amending three budgets. The amendment for Strawn Apartments is in the amount of \$205,000. The amendment for Charlottetown is in the amount of \$260,000. Finally the amendment for Parktowne is in the amount of \$165,000. Each of these budgets has an Exhibit A in which there are Others Sources and expenditures in the Administrative category in the amounts listed above.

Also as a part of this amendment the Chief Executive Officer (CEO) or his/her designee may transfer funds as provided below. All such transfers must be consistent with state or federal laws and local board policies. The CEO or his/her designee must report any such transfers at the regular meeting of the board at which the budget to actual results are discussed and transfers between functions must be entered in the minutes of that meeting.

1. The CEO may transfer between sub-functions and objects of expenditure within a function.
2. The CEO may transfer amounts not to exceed \$100,000 between functions.
3. The CEO may not transfer any amounts between funds or increase the total amount of a fund.

**Committee Discussion:**

The Finance & Audit Committee discussed and unanimously approved this item for inclusion on the consent agenda at its meeting on September 2, 2009.

**Funding:**

Loan from CHA

**Attachment:**

Resolution to Accept Loan (**Tab 2**)

**RECORDING OFFICER'S CERTIFICATION**

I, Barbara Porter, the duly appointed Secretary of the Horizon Development Properties, Inc., do hereby certify that the above item was properly adopted at a regular meeting held September 15, 2009.

(SEAL)

BY: \_\_\_\_\_  
Barbara Porter, Secretary

### **3.F Woodlawn House Apartments – Horizon Development Properties, Inc.**

Action:	<b>Resolution to Authorize Horizon to Purchase Woodlawn House Apartments and that the 5<sup>th</sup>/3<sup>rd</sup> Line of credit be used as the source (up to \$3,525,000).</b>
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**Staff Resource:** Frank Narron

**Strategic Business:** Real Estate

**Strategic Goal:** Maximize Economic, Physical, and Social value of our Real Estate Portfolio, Attain Long-Term Financial Viability

#### **Explanation:**

Fairfield Residential controlled two contiguous properties along Woodlawn. They included the subject, Woodlawn House, and an adjacent property. They had intended to develop 300+ high-end apartments, however, the downturn in the economy dashed their plans subsequent to their having closed on one of the properties.

Staff has negotiated a purchase price of **\$3,250,000**. The 2.5% (**\$81,250**) real estate commission is to be paid by Horizon. The broker is CB Richard Ellis, with whom CHA has a procurement allowing payment of brokerage fees by CHA. The lower price was secured primarily because of our ability to close quickly using the 5<sup>th</sup>/3<sup>rd</sup> Line of Credit. We had committed to 45 days of due diligence at which time a \$75,000 earnest money deposit would “go hard”. **That period, which would have ended on September 10<sup>th</sup>, has been extended through September 16<sup>th</sup>. We then have 15 days to close, or alternatively we could extend the closing 2 weeks if we add \$25,000 to the earnest money.** Earnest money would be credited to the purchase price. **(The \$3,525,000 authorization includes \$3,250,000 for acquisition, up to \$200,000 in acquisitions expenses, and up to \$75,000 in due diligence expenses).**

The project consists of 68 one-bedroom and 36 two-bedroom units in 4 floors for a total of 104 units. There is ample parking some of which is under a concrete deck that supports the other 3 levels of the structure. The property is 4+ acres and is just west of the Park Road/Woodlawn intersection near Park Road Shopping Center. The property was rezoned by the current owner for a development plan that would include this site and the adjacent parcel, Melrose Place Apartments. When the economy turned, they had closed on the subject site but were able to drop their option on Melrose Place (which has since been re-leased). We have a letter from the City’s planning department that confirms that the current structure is grandfathered and its use is not restricted by the current zoning designation under which it is a non-conforming structure (because the current zoning designation is conditional). The building has been vacant for a couple of years. At the time of purchase, Fairfield Residential has indicated that all of the operating systems were operable; however, since they never intended to operate the building, they weren’t particularly attentive to the condition and have not continued maintenance.

The Board approved funding from MTW at up to \$8,000,000. We also have an allocation of CHA NSP funds (\$500,000) allocated to the project. **If the property is deemed not to qualify as NSP, we may return to have the MTW commitment increased.** All of the units will be marketed to seniors **or those needing supportive services** and they will either be structured 50% Section 9 and 50% Section 8 or 100% Section 9 with income tiering (neutral revenue impact). These units, depending on the timing of rehabilitation, may serve as replacement housing for the other senior rehabs currently being contemplated by CHA. **If we decide to have Woodlawn serve as supportive housing, financing will be as below.**

**Scenario A:**

**Rents (including common area utilities and project paid utilities):**

Type	SF	#	Revenue
ACC 1BR/1BA	640	31	\$290
ACC 1BR/1BA	740	3	\$290
ACC 2BR/2BA	975	11	\$290
ACC 2BR/2BA	1,088	7	\$290

**ACC Rent tiering or Section 8**

1BR/1BA	640	31	\$538
1BR/1BA	740	3	\$538
2BR/2BA	975	11	\$644
2BR/2BA	1,088	7	\$644

**Sources**

<b>NSP - CHA (a)</b>	<b>500,000</b>	<b>4,808</b>
<b>CHA – MTW (b)</b>	<b><u>7,865,756</u></b>	<b><u>75,632</u></b>
<b>Total</b>	<b>\$8,365,756</b>	<b>\$80,440</b>

**Uses**

<b>Acquisition</b>	<b>\$3,250,000</b>	<b>31,250</b>
<b>Transaction/ Carry</b>	<b>153,750</b>	<b>1,478</b>
<b>Rehabilitation</b>	<b>3,794,470</b>	<b>36,485</b>
<b>Soft costs (c)</b>	<b>872,536</b>	<b>8,390</b>
<b>Reserves</b>	<b><u>295,000</u></b>	<b><u>2,837</u></b>
<b>Total</b>	<b>\$8,365,756</b>	<b>\$80,440</b>

- (a) Assumes debt service with interest only payments of \$5,000 to CHA.  
 (b) Assumes interest only payment at 2% (\$157,315 annually to CHA – contingent on available cash flow).

(c) includes Developer Fee of \$500,000 to Horizon / CHA.

In addition to the Developer Fee, there is projected \$52,000 annually for tenant services and \$7,500 for asset management fees as well as about \$200,000 capitalized in the development budget. Without regard to the Developer Fee, tenant services, and asset management fees, the property generates an average annual cash on cash return equal to 1.84% - within established investment policy parameters.

**Income and Expenses:**

Income:	\$5,188 – PUPY	\$539,568	- Total Annual
Vacancy:	\$156 - PUPY	\$16,187	- Total Annual
Expenses*:	\$3,772 - PUPY	\$392,288	- Total Annual
NOI:	\$1,260 - PUPY	\$131,093	- Total Annual
Debt Svc:	no must pay debt service		
Cash Flow:	\$1,260 - PUPY	\$131,093	- Total Annual

\*Includes \$52,000 annually in tenant services.

**Scenario B:**

There is little risk that HUD will not approve the mixed finance proposal since the project is 100% very low income and therefore consistent with HUD’s pro rata policy on the use of MTW funds.

An alternative scenario assumes that only 30% of the units are subsidized with Project Based Section 8 and the remainder are market rate (assumed at 60% of AMI). The development budget is static.

<b>Conventional loan; 25 year amortization; 7% rate; 1.15 DSC</b>	<b>\$5,472,117</b>
<b>CHA NSP</b>	<b>\$ 400,000</b>
<b>CHA MTW (pro rata)</b>	<b><u>\$2,493,639</u></b>
	<b>\$8,365,756</b>

**Due Diligence Results**

We were charged with performing due diligence on the site and building to determine if it would be an appropriate acquisition/rehab target for CHA. The following is a summary of the results of that process.

**Environmental (ECS)**

The Phase I indicated that there were no Recognized Environmental Coniditions (RECs) on-site, there were however, two off-site RECs; the Petro Express and Pacific Southern, LLC properties. Additional assessment was recommended only if ground water is to be

used at the site. As we found with the land at Belmont Walk, “the responsibility for assessment and remediation of soil and groundwater contamination is assigned to the person or persons who conducted or controlled an activity which resulted in the groundwater contamination.... Liability is also not typically assigned to an owner of property which contamination is migrating unless that owner hinders investigation and /or remediation required of the responsible party.” The study did not recommend additional assessment beyond the following. Tom Griffin of Parker & Poe has reviewed the Phase I and will be available at Development Committee to address any concerns and answer questions. **Since the report was originally issued, ECS has amended the report removing these two sites and RECs for this property.**

We also suspected, and the current owner confirmed, that there is asbestos at the site. We commissioned a study for asbestos and lead based paint. The investigation concluded that none of the samples taken as part of the study included lead based paint. However, the following is a summary list of suspect asbestos materials sampled from the building that were identified to be ACM by laboratory analysis:

- Drywall Joint Compound, throughout the building
- Linoleum, approximately 50 SF, located in the 1<sup>st</sup> floor resident recreation room
- Floor Tile and Mastic, approximately 10,000 SF, in the kitchens of resident units
- White HVAC Tape, approximately 1,800 LF, associated with the ductwork in resident units\*
- Roof Flashing Tar, at least 1,000 LF
- Spray Applied Fireproofing, at least 1,000 LF, above the drop ceiling in the parking area

\*It should be noted that ECS was unable to assess the ductwork inside wall cavities. The ductwork throughout the wall cavities in the resident units will likely have the same asbestos duct tape and should therefore be removed as asbestos containing material.

The asbestos will be abated or encapsulated following OSHA asbestos regulations and in accordance with North Carolina regulations. Also attached is a summary of the samples. Most of the samples were non-friable.

### **Construction Estimates (Cox & Shepp)**

**Cox and Shepp delivered their cost estimate and the budget in this item accurately represents the report that they provided. As a result, CHA has negotiated a \$250,000 reduction in the purchase price – The originally agreed upon price was \$3,500,000.**

### **Roof Analysis (Stafford Consulting Engineers)**

The roof engineering report indicated that while the existing flat roof could be repaired for between \$100,000 and \$140,000, the better long term fix for the rehabilitation would be to replace the existing roof system with a new one. It recommended the installation of

new tapered insulation and a two ply modified bitumen roof system. They estimated that total cost in the \$370,000 to \$430,000 range. **The current budget allows for \$395,000.**

**Survey (RB Pharr)**

There is what is called a “new carport” at an adjacent single family parcel on Drexel Place (behind the property). The carport encroaches on the property by about a foot near the back of the property. **The seller has responded to counsel’s letter regarding title issues and do not intend to address any of the encroachments. We are working with counsel to address this for purposes of title insurance.**

**Committee Discussion:**

The information in this item reflects the conversation at the Development Committee primarily regarding a revision in price. The originally agreed upon price was \$3,500,000. The Committee asked staff to negotiate a lower price. We suggested a \$500,000 reduction. After some negotiation we arrived at the \$250,000 reduction reported in this item.

**Community Input:**

None

**Summary of Bids:**

N/A

**MWBD Consideration:**

Will comply with CHA policy.

**Funding:**

Initially the 5<sup>th</sup>/3<sup>rd</sup> line of credit.

Applications for refinancing would be submitted after taking ownership.

**Attachment:**

Acquisition Policy Criteria checklist (**Tab 1**)

Summary of Asbestos samples (**Tab 1**)

Map (**Tab 1**)

Project Pictures (**Tab 1**)

Resolution (**Tab 2**)

### **3.G Budget Amendment: Woodlawn House Apartments**

**Action: 1. Amend the Woodlawn House Apartments Capital Project Budget in Horizon Development Properties, Inc.**

**Staff Resource:** Ralph Staley

**Strategic Business:** Finance Administration

**Strategic Goal:** Attain Long-Term Financial Viability

**Explanation:**

In July, the board approved the Woodlawn House Apartments Capital Project budget in the amount of \$175,000 in order to incur expenditures related to due diligence and other acquisition expenditures. Staff is requesting \$3,350,000 for the acquisition costs for Woodlawn House Apartments, which will be funded through the 5<sup>th</sup>/3<sup>rd</sup> Bank line of credit. The costs associated with the acquisition are detailed as follows:

Acquisition Price	\$3,250,000
Other Acquisition Costs: Broker	81,250
Miscellaneous	18,750
	\$3,350,000

Exhibit A shows an increase in Other Sources of \$3,350,000. Total Expenditures, which are detailed above, show a corresponding increase of \$3,350,000.

Also, as a part of this amendment the Chief Executive Officer (CEO) or his/her designee may transfer funds as provided below. All such transfers must be consistent with state or federal laws and local board policies. The CEO or his/her designee must report any such transfers at the regular meeting of the board at which the budget to actual results are discussed and transfers between functions must be entered in the minutes of that meeting.

1. The CEO may transfer between sub-functions and objects of expenditure within a function.
2. The CEO may transfer amounts not to exceed \$100,000 between functions.
3. The CEO may not transfer any amounts between funds or increase the total amount of a fund.

**Committee Discussion:**

This item was not discussed at the Finance & Audit Committee meeting due to no action in the Development Committee.



**Funding:**

5<sup>th</sup>/3<sup>rd</sup> Bank Line of Credit

**Attachment:**

Amended Horizon Budget (**Tab 1**)

Resolution to Authorize the Line of Credit (**Tab 2**)

**RECORDING OFFICER'S CERTIFICATION**

I, Barbara Porter, the duly appointed Secretary of the Horizon Development Properties, Inc., do hereby certify that the above item was properly adopted at a regular meeting held September 15, 2009.

(SEAL)

BY: \_\_\_\_\_

Barbara Porter, Secretary

**3.H McMullen Wood Apartments – Horizon Development Properties, Inc.  
Budget Adoption: McMullen Wood Apartments**

**Action: 1. Resolution to Authorize Horizon to Incur Expenses Related to Due Diligence and Other Acquisition Expenses for McMullen Wood Apartments and to Establish a Budget of up to \$130,000 for That Purpose.**

**Action: 2. Authorize Horizon to use the 5<sup>th</sup>/3<sup>rd</sup> Bank Line of Credit for the Binder, Other Expenses Preliminary to the Purchase, and the Purchase if such Purchase is Approved by Future Action.**

**Action: 3. Approve the McMullen Wood Apartments Capital Project Budget in Horizon Development Properties, Inc.**

**Staff Resource:** Jeff Meadows and Ralph Staley

**Strategic Business:** Real Estate and Finance Administration

**Strategic Goal:** Maximize Economic, Physical, and Social value of our Real Estate Portfolio; Attain Long-Term Financial Viability.

**Explanation:**

Staff became aware that the owner of McMullen Wood Apartments would be open to selling the property. Crosland controls the property. The subject is an expiring tax credit project and meets the adopted acquisition policy (see Attachment).

Staff has negotiated a purchase price of **\$2,810,000**. The real estate commission, if any, is to be paid by the seller. The property is appraised at \$2,910,000. The price reduction of **\$100,000** was secured primarily because of the PB piping at the site. We have committed to 45 days of due diligence at which time \$50,000 earnest money deposit would “go hard” or be returned if we choose not to proceed or the City/NCHFAs do not approve extended loan terms as proposed. We then have 30 days to close from the earlier of the end of the diligence period or the approval of the City and NCHFAs loan extensions. Alternatively we could extend the closing another 30 days if we add \$15,000 to the earnest money. Earnest money would be credited to the purchase price.

The project consists of 55 units: 26 two-bedroom units; 26 three-bedroom units; and 3 four bedroom units in five buildings in a three story walk up style. The units range from about 835 sq. ft. up to around 1,280 sq. ft with an average 974 sq. ft. for all units. There is ample parking with 82 spaces. The property is 4.01+/- acres and is located in Southeast Charlotte just west of the Walsh Boulevard at the end of Little Ave

approximately ¼ east of Johnston road. The property is zoned O-1, which allows for multifamily residential. The property has historically experienced high occupancy. The SE sub market has experienced the lowest overall vacancy rate at 10% compared to the overall Charlotte market.

**Scenario A:**

The following scenario assumes that the project is funded by MTW funds and assumed debt from the City and NCHFA. All of the units are marketed to families. The units will be structured to serve 21 units (38% of the units) at 30% AMI or less [All Section 9, (S9)], 15 units (28% of the units) at 40% AMI or less and 19 units (34% of the units) at 50% AMI or less.

**Rents :**

Type	#	Rent
S9 2BR/1BA	11	\$418*
S9 3BR/2BA	10	\$418*
40% 2BR/1BA	6	\$435
40% 3BR/2BA	6	\$476
40% 4BR/2BA	3	\$533
50% 2BR/1BA	9	\$538
50% 3BR/2BA	10	\$616

\*The rent assumptions for the S9 units include the PEL at \$362, UEL at \$50 and \$6 “add on” allocation per S9 unit that will be passed on to the project. This yields the \$418 rent.

**Sources**

NCHFA (20yrs at 0%)	239,342	4,352
City (20yrs at 1% Int. Only)	1,836,000	33,382
CHA – MTW (20yrs at 1% Int. Only)	<u>1,278,732*</u>	<u>23,250</u>
Total	\$3,354,074	\$60,983

\*Note: Prorata amount limit for S9 units is equal to 21 X \$60,983=\$1,280,643. MTW request is under the limit.

**Uses**

Acquisition	2,810,000
Transaction/ Carry	42,500
Rehabilitation	115,000

Soft costs (a)	258,074	
Reserves	<u>128,500</u>	
Total	\$3,354,074	\$60,983

(a) Includes Developer Fee of \$151,074 to Horizon / CHA.

In addition to the Developer Fee, staff has projected \$21,000 annually for social services and \$2,500 for asset management fees as well as about \$21,000 capitalized in the development budget for social services.

**Income and Expenses:**

Income:	\$5,857- PUPY	\$322,140	- Total Annual
Vacancy:	\$ 410- PUPY	\$22,560	- Total Annual
Expenses*:	\$ 4,408- PUPY	\$242,440	- Total Annual
NOI:	\$ 1,041- PUPY	\$57,282	- Total Annual
Debt Svc:	\$ 399- PUPY	\$21,967	- Total Annual
Cash Flow:	\$ 642- PUPY	\$35,316	- Total Annual

- Includes replacement reserves, \$21,000 annually in tenant services and \$2,500 in asset management expenses.

**Scenario B:**

There is little risk that HUD will not approve the mixed finance proposal since the project is very similar to Seneca Woods, Fair Market Square, McAlpine and Glen Cove all approved to include additional S9/very low income units and the project is consistent with HUD’s pro rata policy on the use of MTW funds.

An alternative scenario assumes that 10% of the units are subsidized with Project Based Section 8 and the remaining 90% of the units are 40% and 50% AMI. The development budget is static.

Conventional loan; 30 year amortization; 7% rate; 1.25 DSC	\$1,000,000
Assumed Debt City and NCHFA	\$2,075,702
CHA MTW (pro rata)	<u>\$ 278,372</u>
	\$3,354,074

**Approve the McMullen Wood Apartments Capital Project Budget in Horizon Development Properties, Inc.**

In 2001 the North Carolina State Legislature passed General Statute 159-42 entitled “Special regulations pertaining to public housing authorities”. The statute requires housing authorities to adopt a project ordinance as defined in General Statute 159-13.2. for those programs which span two or more fiscal years. In the past the authority has presented budgetary information on grant projects as a part of the grant process, but has not set out a separate resolution to adopt a grant project ordinance. In an effort to clearly show compliance with the State statute, the staff of the authority intends to prepare a grant project ordinance for each grant and have the Board adopt the project ordinance by resolution.

A budget is to be established in the amount of \$130,000 for the following services: binder, legal services, survey, environmental, appraisal and carry cost.

Exhibit A shows the total Other Sources in the amount of \$130,000 and expenditures of \$130,000 in the Administrative line item.

Also as a part of this amendment the Chief Executive Officer (CEO) or his/her designee may transfer funds as provided below. All such transfers must be consistent with state or federal laws and local board policies. The CEO or his/her designee must report any such transfers at the regular meeting of the board at which the budget to actual results are discussed and transfers between functions must be entered in the minutes of that meeting.

1. The CEO may transfer between sub-functions and objects of expenditure within a function.
2. The CEO may transfer amounts not to exceed \$100,000 between functions.
3. The CEO may not transfer any amounts between funds or increase the total amount of a fund.

**Committee Discussion:**

This item was discussed at the Development Committee meeting on September 2, 2009. The Board requested the purchase price be revisited with the seller. As a result, staff has secured a \$50,000 reduction in the purchase price.

**Funding:**

Loan assumption request to the City and NCHFA will occur prior to closing.  
5<sup>th</sup> /3<sup>rd</sup> Bank line of Credit

**Attachments:**

Capital Budget (**Tab 1**)

Acquisition Policy Criteria (**Tab 1**)

Resolution for funding and to Incur Expenses (**Tab 2**)

**RECORDING OFFICER'S CERTIFICATION**

I, Barbara Porter, the duly appointed Secretary of the Horizon Development Properties, Inc., do hereby certify that the above item was properly adopted at a regular meeting held September 15, 2009.

(SEAL)

BY: \_\_\_\_\_  
Barbara Porter, Secretary

**MINUTES OF HORIZON DEVELOPMENT PROPERTIES, INC.  
BOARD MEETING HELD ON TUESDAY, AUGUST 18, 2009**

**Regular Meeting:**

**Additions to the Agenda:**

*None*

**Consideration to Approve the minutes for:**

- Meeting held on *June 16, 2009*
- Special meeting held on *July 8, 2009*

**ACTION:**

Motion was made for approval:	Commissioner Miller
Motion was seconded by:	Vice-Chairman Moore
Outcome:	Passed unanimously

**Business Agenda Items:**

**3.A Budget Amendment: Horizon Development Properties:**

Approve an amendment of the Horizon Development Properties, Inc. budget for the fiscal year ending March 31, 2010.

**ACTION:**

Motion was made for approval:	Vice-Chairman Moore
Motion was seconded by:	Commissioner Page
Outcome:	Passed unanimously

**3.B Horizon Development Properties-CHA Office Building:**

NOTE: THIS ITEM IS DEFERRED TO EXECUTIVE SESSION  
Refer to Item 9.D in the regular 8/18/09 Board meeting minutes.

**3.C Budget Amendment: Horizon Development Properties (CHA Office):**

NOTE: THIS ITEM IS DEFERRED TO EXECUTIVE SESSION  
Refer to Item 9.D in the regular 8/18/09 Board meeting minutes.

**3.D MTW Loan Acceptance:**

1.) Requesting authorization for Horizon Development Properties, Inc. to accept the \$200,000 CHA MTW loan for predevelopment activity.

*Horizon Development Properties, Inc.*  
*August 18, 2009*

- 2.) Approve the adoption of a Development Budget for Strawn Apartments in Horizon Development Properties, Inc.
- 3.) Approve the adoption of a Development Budget for Charlottetown Terrace in Horizon Development Properties, Inc.
- 4.) Approve the adoption of a Development Budget for Parktowne Terrace in Horizon Development Properties, Inc.

**ACTION:**

Motion was made for approval:	Commissioner Page
Motion was seconded by:	Vice-Chairman Moore
Outcome:	Passed unanimously

**3.E Horizon Development Properties Collection Loss Report for the Quarter Ended 6/30/09:**

Approve the write-off of \$4,345.20 in accounts receivable due to collection losses for tenants vacated through 3/31/09.

**ACTION:**

Motion was made for approval:	Commissioner Miller
Motion was seconded by:	Commissioner Ford
Outcome:	Passed unanimously

A motion was made to suspend this meeting to into Executive Session later. Once business concluded a motion was made for adjournment.

**ACTION:**

Motion was made for approval:	Commissioner Ford
Motion was seconded by:	Commissioner Puckett
Outcome:	Passed unanimously

Minutes respectfully prepared by:	Barbara G. Porter Executive Assistant to the CEO
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