



**Charlotte Housing Authority**

***SPECIAL***  
**BOARD OF COMMISSIONERS**  
**BOARD MEETING**

*July 8, 2009*

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

***Mission Statement***

***“The Charlotte Housing Authority serves those Charlotte families for whom conventional housing is unaffordable. Our mission is to provide these families with safe, decent and sanitary housing while supporting their efforts to achieve economic independence and self-sufficiency.”***

***David Jones-Chairman***  
***Rodney W. Moore-Vice Chairman***

Dan Page  
Chris Moffat  
Will Miller  
Joel Ford  
Lucille Puckett



**HOUSING AUTHORITY OF THE CITY OF  
CHARLOTTE**

***NOTICE  
SPECIAL BOARD MEETING***

**BOARD OF COMMISSIONERS MEETING**

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

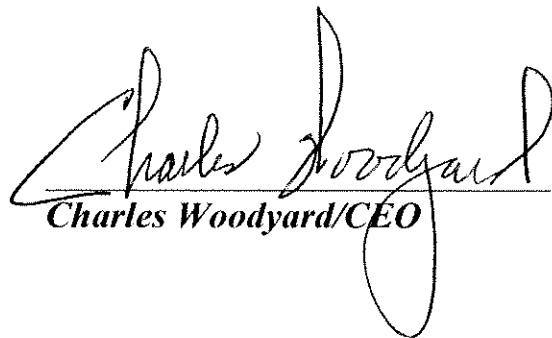
***July 8, 2009***

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***NOTICE*** is hereby given that a ***Special*** Board meeting of the Board of Commissioners of the Housing Authority of the City of Charlotte will be held on ***July 08, 2009*** as follows:

**TIME/Date:** ***1:30 P.M.  
July 8, 2009***

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

  
***Charles Woodyard/CEO***

# Housing Authority of the City of Charlotte

## Special Meeting of the Board of Commissioners

Central Office  
1301 South Boulevard  
Charlotte, NC 28203

*July 8, 2009*

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*1:30 p.m. - Special Board Meeting Convenes:*

### **Special Meeting Agenda:**

1. Additions to the Agenda
2. Consideration to Approve the Minutes for:
  - Special Board Meeting held *April 8, 2009 (Tab 3)*
3. **Business Agenda Action Items:**
  - A. Revision of Policies for Admissions and Occupancy (A&O) and the Section 8 Administrative Plan **(p.1)**
  - B. Moore Place-Homeless to Homes, Urban Ministry Center **(p.2)**
  - C. Budget Amendment: Piedmont Courts Hope VI Grant **(p.7)**
  - D. Audit Report for Fiscal Year 2008-2009 **(p.8)**

**Business Agenda:**

**Business Agenda items for the July 8, 2009 Special Board Meeting of the Charlotte Housing Authority Board of Commissioners.**

**3. A Revision of Policies for Admissions and Occupancy (A&O) and the Section 8 Administrative Plan**

**Action: Approve Resolution No. 1696 to Authorize CHA to Revise Policies for Admissions and Occupancy (A&O) and the Section 8 Administrative Plan and consolidate the policies into one, “The Housing Administrative Plan”.**

**Staff Resource:** Troy D. White and Cheryl Campbell

**Strategic Business:** Operations

**Strategic Goal:** Provide Highest Quality Real Estate Management Services

**Explanation:**

A public hearing was held on May 19, 2009 and another hearing will be held July 8, 2009 to conclude the 45 day public review/comment period of the Charlotte Housing Authority’s Policies for Admissions and Occupancy (A&O) and the Section 8 Administrative Plan.

The purpose of the revisions of the policies is to bring them into compliance with Federal, State and Local laws. Additionally, changes are proposed to incorporate Moving Forward (MF) initiatives.

There were several proposed changes to the A&O and the Section 8 Administrative Plan policies that have been highlighted in same when they were put out for public review/comment on April 4, 2009 and again on May 23, 2009. The policies were placed at the following locations: the main branch of the public library; City Hall, 1301 South Boulevard, Charlotte, NC 28203; 2600 Youngblood Street, Charlotte, NC 28203; and 135 Scaleybark Road, Charlotte, NC 28209 and the Summary of Changes was provided at all property offices. Below are a few highlights of the proposed changes:

1. **Waiting List Management** - Public Housing waiting lists are now located at and managed by the site staff. Criminal background checks will be completed for applicants 16 and older. Occupancy Training will be completed for admission.
2. **Recertification Process (Baseline Data / Work Requirement)** - Recertifications will be completed every other year for senior and disabled residents. Baseline Data will be gathered during recertifications for tracking

initiative progress. Work Requirement is added as noted in MTW plan as an appendix.

3. **Rent Reform/Hardship Policy** - Rent reform is added as noted in the MTW plan as an appendix. The hardship policy has been expanded to apply to all residents (previously it only applied to minimum renters) and is included as an appendix.
4. **Quality Control** - We have increased our quality control monitoring.
5. **Truancy** - Truancy policy has been added as an appendix to the plan to allow CHA to take action in conjunction with action taken by CMS in compliance with state law.

**Committee Discussion:** Staff began reviewing the A&O and Section 8 Administrative Plan (DHTE). The Section 8 Administrative Plan Committee met and revised the Administrative Plan on the following dates: December 16, 2008; December 30, 2008; January 8, 2009; January 29, 2009; February 17, 2009; and February 26, 2009. Public Housing and Section 8 Administrative Plan Committee also met with RAC and Legal Aid on the merger document on the following dates: April 1, 2009; April 7, 2009; and April 16, 2009. The summary of proposed changes was also reviewed with RAC on May 27, 2008 and June 25, 2009 at the Carole Hoefener Center. Board Members reviewed a summary of the proposed changes on April 28, 2009.

**Funding:** None

**Attachment:** Resolution No. 1696 (Tab 2)

### **3. B Moore Place—Homeless to Homes, Urban Ministry Center**

**Action:** Approve Resolution No. 1646 to Authorize Staff to Make a Conditional Commitment of \$1.7M in MTW Funds for the Construction of 85 New Efficiency Permanent Supportive Housing Units and the Commitment of 34 Section 9 and 51 Project Based Section 8 Rental Subsidies Subject to Urban Ministries Fundraising \$5.8M and Demonstrating that it can Successfully Fundraise at a Level that will Cover the Projected Shortfall for Operating the Project Prior to CHA Funds Being Disbursed.

**Staff Resource:** Michelle Allen

**Key Business:** Real Estate Development

**Strategic Goal:** Develop collaborative relationships for affordable housing solutions to a broad continuum of stakeholders.

## **Development Proposal**

Moore Place is a proposed supportive housing development that will provide 85 permanent furnished housing units (51 PBS8 and 34 Section 9) for chronically homeless men and women with on-site case management. The project is a Housing First model. The Urban Ministry Center in conjunction with David Furman's development company Centro CityWorks will develop this project. This development proposal is consistent with the underwriting criteria and guidelines for the supportive housing component of the current Supportive Housing Policy. CHA's role would be that of a lender and rental subsidy provider.

In keeping with CHA's on-going commitment to provide housing for persons with disabilities and special needs and the homeless, staff is asking the Board to authorize a commitment of \$1.7M in MTW funds and rental subsidies to the project subject to Urban Ministries (1) fundraising \$5.8M needed to complete construction and (2) demonstrating that it can successfully fundraise at a level that will cover the projected shortfall for operating the project prior to CHA funds being disbursed. The MTW Loan Commitment letter will contain an initial expiration date of February 28, 2010, which should ensure closing prior to the end of CHA's fiscal year. MTW funds will be used for construction purposes and funding agreements will involve stipulations relating to Section 3 and Davis Bacon compliance.

### **Background:**

Board members discussed this project last on June 16, 2009 during its regular Board of Commissioners meeting. During this discussion there were questions and comments concerning the following, (1) the project's sources of funding, (2) Urban Ministries' political and community support, (3) the project's ability to successfully operate over time, (4) CHA's potential total investment of Section 8 and Section 9 subsidies, and (5) CHA's potential risk should the project fail to operate due to inadequate operating income.

With regards to political and community support, Urban Ministries continues to take steps to address political and neighborhood concerns. Urban Ministries has conducted two neighborhood meetings to hear concerns and is devising a strategy to address and incorporate as many of those concerns as possible within its plan. Urban Ministries plans to invite members of Druid Hills Neighborhood Association on a trip to see similar projects and to highlight the positive impacts those projects have had on their prospective communities.

The Board asked staff to formulate a back up plan that would minimize or eliminate CHA's risk or loss of its investment in the project should Urban Ministries become unable to raise the funding required to successfully operate the project.

**Proposed Net Rents (All are efficiency size units):**

34 Section 9 (affordable up to 24% AMI):	\$298/unit
45 Project Based Section 8 affordable up to 30% AMI	\$629/unit
6 Project Based Section 8 affordable at up to 45% AMI	

**Proposed Permanent Sources and Uses:**

<u>Sources</u>		<u>% of Total</u>
CHA	1,700,000	17%
HTF	1,500,000	15%
CD Spangler Foundation	500,000	5%
In Kind Services & Donations	300,000	3%
Private Funds	2,000,000	20%
Social Services Endowment	4,000,000	40%
<b>Total Sources</b>	<b>\$10,000,000</b>	<b>100%</b>

**Uses**

Land & Site work	\$ 400,000	4%
Construction	4,360,000	44%
Soft Costs Financing & Reserve	1,240,000	12%
Social Services Reserve	4,000,000	40%
<b>Total Uses</b>	<b>\$10,000,000</b>	<b>100%</b>

*\*Note: The \$1.3M county/federal grant is not part of the capital budget and is therefore not included in the budget above. However, when you consider all of the sources involved in fundraising the campaign which includes the county/federal grant, the total is \$11.3M (see the attached Summary of Fundraising Activities chart).*

Overall cost per unit is \$64,706 (excluding the \$4M SS endowment and \$500,000K initial operating reserve). CHA cost per unit affordable up to 30% is \$21,519.

**Income and Expenses (Annual for Operations in Year 2014)**

Potential Rental Income	\$544,265
Total Income (less vacancy)	506,166
Expenses	525,164
Replacement Reserves	18,576
NOI (after Reserves):	(37,574)

Interest Income – Endowment	160,000
Social Service Expenses:	514,565
Social Services Shortfall	(392,139)

Expenses for operating a supportive housing facility are significantly higher than a conventional apartment community. The CHA rental subsidies will cover the building operating expenses and required security. However, there is a projected need for an additional approximately \$392K which escalates annually over a period of several years. The initial operating reserve of \$500,000 would be used to fund the remainder of 2015, after the \$1.3 million Mecklenburg County Funding has been utilized.

Urban Ministries’ track record demonstrates its ability to successfully fundraise dollars needed to operate current and past projects. For example, Urban Ministries has raised on average \$1.25M annually strictly in private funding dollars over the last two years. The attached chart summarizes UM’s current fundraising activities for this project.

**Development Fee and Developer Guarantees:** CHA will receive a 2% (\$34,000) origination loan fee.

**CHA Resources and Net Benefits:** CHA is investing up to \$1.7M in MTW resources to deliver 85 units of permanent supportive housing to include 34 Section 9 and 51 Community Based Rental Assisted units. Also, an annual Asset Management Fee of \$7500 will be deducted from the difference between the HUD level of PEL and 100% funding of PEL.

**Staff’s Recommendation:** Urban Ministries proposes to follow a model frequently used in the nonprofit services sector, which is to begin the building and finish endowment fund-raising during construction. The assumption is that Urban Ministries will be able to fund-raise or otherwise generate the short-fall in social services funding on an annual basis. This amount begins at \$392,000 annually (and increases by inflation).

Staff however, recommends that CHA funds be committed subject to Urban Ministries fundraising \$5.8M and successfully fundraise at a level that will cover the projected shortfall for operating prior to CHA funds being disbursed. The \$5.8M includes:

- \$1.3 million in requested federal grant (through Mecklenburg County);
- \$1.5M in HTF (or privately fundraise this amount if HTF not awarded)
- \$1M in construction funds
- \$2M remaining in the social services endowment

Staff met with Urban Ministries staff to formulate a plan that would address the operating shortfalls once the reserves have burned off and are unable to be recovered. That plan is outlined as follows:

- Plan A: Urban Ministries continues fundraising efforts (and would consider joining the Continuum of Care in order to receive HUD funding from that program). Urban Ministries would also re-adjust budgets and streamline operations (which may include reducing staff by 1-2 persons). If these efforts are not enough, then;
- Plan B: Urban Ministries begins to draw from the principal of the \$4M endowment. (Note: North Carolina recently adopted a new, flexible approach to non-profit endowment spending which allows them better access to critically needed endowment funds.) If the endowment is reduced to \$500,000, then CHA would give Urban Ministries one year to raise the funds needed. If after one year, Urban Ministries is unable to raise the funds needed to successfully operate, then;
- Plan C: Urban Ministries would agree that the property could be converted to a senior's development. CHA would replace Urban Ministries as owner. The conversion to a senior's development would not require the same level of social services and could be successfully run, preserving the Section 9 and Community Based Rental Subsidy as a resource for the community.

These conditions would be clearly stated in the CHA conditional commitment letter.

**Project Schedule:**

June 2009:	Architectural plans finalized
July 2009:	Architectural plans submitted and approved for permitting; Construction costs finalized.
February 2009 – February 2010:	UMC Fundraising Campaign (proposed)
October 2009	Mixed Finance Proposal Approval (HUD)
November 2009	File Evidentiaries for closing
February 2010	Closing/Construction start
February 2011	Construction complete

**Committee Discussion:** The last discussion pertaining to this project took place during the Board of Commissioner’s regular meeting held on June 16, 2009.

**Community Input:** The surrounding neighborhood and the City Council representative have expressed concerns about the impact of Moore Place on the area. Urban Ministries has committed to continue to work to address those concerns.

**Summary of Bids:** N/A

**MWBE Consideration:** N/A

**Funding:** MTW

**Attachments:**

Summary Fundraising Activity Chart (**Tab 1**)

Project Financials (**Tab 1**)

Resolution No. 1646 (**Tab 2**)

**3. C Budget Amendment: Piedmont Courts HOPE VI Grant**

**Action:** Approve Resolution No. 1713 to Amend Resolution No. 1668 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 \$348,000 for the Piedmont Courts HOPE VI Grant (Seigle Point) to be received through this fiscal year. Program income for this grant consists of loan origination fees, developer fees and note payments - principle and interest. Expenses are shown in Administration. Also in this amendment, staff is re-allocating expenditures for the demolition contract “cost savings” from Demolition (\$29,768), Relocation Costs (\$74,963) and Fees and Costs (\$27,160) to Site Improvements (\$131,891). This revision is shown in Exhibit A.

**Committee Discussion:** The Finance & Audit Committee will discuss at its meeting on July 8, 2009.

**Funding:** Piedmont Courts HOPEVI Grant (Seigle Point)

**Attachments:**

Exhibit A for Resolution 1713 (Tab 1)

Resolution No. 1713 (Tab 2)

**3. D Audit Report for Fiscal Year 2008 – 2009**

**Action: Approve Resolution No. 1714 to Approve and Accept the Comprehensive Annual Financial Report for the Fiscal Year Ending March 31, 2009**

**Staff Resource:** Ralph Staley

**Strategic Business:** Finance and Administration

**Strategic Goal:** Attain long-term financial viability

**Explanation:**

McGladrey & Pullen, LLP has completed their audit of the Housing Authority of the City of Charlotte for the period ended March 31, 2009. With this resolution the Board is asked to approve and accept the Audit Report as prepared by McGladrey & Pullen, LLP and the Financial Statements as prepared by CHA Staff.

**Committee Discussion:**

This item will be discussed at the Finance Committee Meeting on July 8, 2009.

**Community Input:** None

**Funding:** None

**Attachment:**

Resolution No. 1714 (Tab 2)

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

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

***July 8, 2009***

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

Special Meeting Agenda:

1. Additions to the Agenda
2. **Business Agenda Item:**
  - A. Woodlawn House Apartment-Horizon Development Properties, Inc.  
Budget Adoption: Woodlawn House Apartments

**Business Agenda:**

**Business Agenda items for the July 8, 2009 Special Meeting of the Horizon Development Properties Board of Directors**

**2. A Woodlawn House Apartments – Horizon Development Properties  
Budget Adoption: Woodlawn House Apartments**

- |                |   |
|----------------|---|
| <b>Action:</b> | <b>Authorize Horizon to Perform Due Diligence on Woodlawn House and to Establish a Budget of up to \$75,000 for That Purpose.</b>   |
| <b>Action:</b> | <b>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.</b> |
| <b>Action:</b> | <b>Approve the Woodlawn House Apartments Capital Project Budget in Horizon Development Properties, Inc.</b>   |

**Staff Resource:** Frank Narron and Ralph Staley

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

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

**Explanation:**

CHA staff became aware that the owner of 1315 E. Woodlawn Road would be open to selling the property. Fairfield Residential had controlled three contiguous properties along Woodlawn. They included the subject, Woodlawn House, and properties on each side of the subject. When the housing market dropped, they let the option on the other two properties lapse, but had already assumed ownership of Woodlawn House. They had intended to develop 300+ for-sale high-end condominiums.

Staff has negotiated a purchase price of \$3,500,000. The 2.5% (\$87,500) real estate commission is to be paid by CHA. 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 have committed to 45 days of due diligence at which time a \$75,000 earnest money deposit would “go hard”. 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 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 has 3 different zoning designations. The majority of the site (and all of the property on which the building is located) is zoned R-43MF. The other designations are R-4 along Drexel Place at the rear of the site and R-6MFH(CD) along the extreme western edge of the site and a swath between the R-43MF and R-4 zonings (POLARIS zoning map attached). 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 following scenario assumes that the entire project is funded by MTW funds. All of the units are marketed to seniors 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.

**Sources**

CHA – MTW (a)(b)	<u>8,223,930</u>	<u>79,076</u>
Total	\$8,223,930	\$79,076

**Uses**

Acquisition	\$3,500,000	33,653
Transaction/ Carry	160,000	1,538
Rehabilitation	3,217,430	30,937
Soft costs (c)	1,051,500	10,111
Reserves	<u>295,000</u>	<u>2,837</u>
Total	\$8,223,930	\$79,076

- (a) assumes debt service of 2%, interest only (\$164,479 annually).
- (b) Building may qualify for Neighborhood Stabilization Program funds, in which case the CHA MTW investment would be \$5.3+ million (reduced by the \$2.9 million in NSP).
- (c) includes Developer Fee of \$679,000 to Horizon / CHA.

In addition to the Developer Fee, there is projected in excess of \$40,000 annually for tenant services and \$7,500 for asset management fees as well as about \$200,000 capitalized in the development budget.

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 remaining units are market rate (assumed at 60% of AMI). The development budget is static.

Conventional loan; 30 year amortization; 7% rate; 1.15 DSC	\$5,772,567
CHA MTW (pro rata)	<u>\$2,451,363</u>
	\$8,223,930

**Approve the Woodlawn House 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. 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 project was not presented at Development or Finance Committee. It is being presented directly to the full Board of Commissioners because of the short time frame required for the due diligence and closing process. CHA was able to capitalize on a lower purchase price based on the ability to move swiftly.

**Community Input:** None

**Summary of Bids:** N/A

**MWBD Consideration:** N/A

**Funding:** Applications would be submitted after taking ownership.

**Attachments:** Resolutions  
Exhibit A