

FHA Development Inc.
Regular Meeting Minutes

August 24, 2020

I. Call to order

Regular Meeting of the Board of Directors of FHA Development Inc. was called to order on August 24, 2020 at 5:00PM the Fayetteville Housing Authority office, via Zoom, by Chair Terry.

II. Roll call

Director Terry conducted a roll call. The following Directors were present: Director Bensinger, Director Breashears, Director McMahon, Director Rios-Stafford, Executive Director Belford.

III. Approval of minutes from previous regular board meetings, May 28, 2020 and June 25, 2020.

- Director Bensinger moved to accept minutes from May 28 and June 25. All in favor. Motion passed.

IV. Old Business

- **Discussion: Update on partnership with Strategic Realty – Low Income Tax Credit application approved:** There was a very brief discussion asking if there were any questions about the LIHTC application and its approval. There were no questions.

V. New Business

- **Discussion: Terms of Developer Agreement with Cardinal Capital**

Executive Director Belford states that this is not a normal developer agreement, so she reached out to our attorney. She explained the process of our current capacity building agreement. Executive Director Belford states that there are a few red line edits that need to be made. She is going to be on a conference call with Cardinal Capital. Executive Director Belford warned Cardinal Capital that this may be on hold a short time for the board to review red line edits.

Director Breashears stated that he wanted FHA Development to be the sole owner. He questioned the difference. Executive Director explained that she had the same question but according to the attorney we should not be concerned. There may be an additional LLC in the future that needs to be added in the future because of financing. At this point all ownership is related to the FHA Development and the Fayetteville Housing Authority. The clause remains which means Cardinal Capital is exploring all financing options. A 99-year lease is a possibility with Fayetteville Housing Authority holding the lease. Director Breashears states he will never agree to any for profit entity to have any ownership.

Director Breashears also referenced lease up and marketing and property manager. He wanted to clarify the six months lease up time. He wanted to know why any talk of property management was discussed. Executive Director Belford stated that designing the tenant selection plan appropriately, so we do not end up with college leasing. They will create the lease plan, so we don't need to do that on our own. It is a tremendous value to us to have their expertise. If Cardinal Capital helped us with property management beyond six months, then it would be a different agreement. FHA Development will always be the property manager.

Director Breashears asked that we include anything that needs BOTH parties to approve such as a development plan be added. Executive Director Belford agreed that this would be an easy fix and that this would be added.

It was determined that the edits would be put in the Google Drive and the board would have until August 27, 2020 to read the comments before voting for approval. Director Breashears expressed his great concern for staff and the board regarding making a decision that is in over our heads regarding the financial obligations and staff and financial limitations at this point. Commissioner Bensinger stated that she believed this has been discussed many times and is not a concern at this point. Chair Terry expressed concern over the rents and timelines. She was concerned about time constraints and if the Board of Directors still had latitude at directing the amount of the rents. Executive Director Belford stated she has the rents updated and they have been reduced rents from \$1500 to \$1400 which is appropriate for an income of \$52,000. The AMI at the different income bands will be put in the documents for the Board to review. Signing the agreement now puts us on track to get commitments for financing in November and December since we plan to break ground in April 2021. Director Rios-Stafford stated that she has been questioning the community for feedback for the last several weeks and it seems to her on the whole the feedback is extremely positive and those who are already wanting to be on the waiting list. She explained that in five years we will be below market rate on the rent with the expansion of Fayetteville. Chair Terry asked again if the Board will have input on the rents before we go live. Executive Director Belford stated that this is not the last time we will be able to discuss rents and signing the developer agreement does not lock us in to this rental rate. Executive Director Belford reiterated that you cannot get financing without a developer agreement. Director Bensinger stated that the board has discussed "gap" funding in the past. She stated that if the funding does not come through then going forward will not be possible. She stated that if we do not take this step and sign the developer agreement then we cannot move forward and will stall out.

Director Breashears asked how much Cardinal Capital will charge us if we decide not to move forward. Executive Director Belford stated the information was in the Google Drive, but it is incremental and depending on where we are in the process based on the amount of time we have been invested in the project. Director Breashears stated that he believes that FHA Development will be responsible for paying the entire cost, but Executive Director Belford stated there is pre-development costs that we may be responsible for. Developer fees are the last amount to be received.

Executive Director Belford stated she would make sure she had all the board's questions answered. Director McMahon stated that in projects she has been involved with in the past that there could be a line item in the agreement that there would be a clause in the contract to pause after schematic design and community engagement to ensure financing is secured, this prevents too many pre-development fees from being spent before the project has assurance of success. This is formed in a contingency clause.

Chair Terry asked the board how they wanted to proceed. The options are to table until Thursday, August 27, 2020 or to approve. The board determined to table this discussion so that Executive Director Belford could get the answers to the questions that were asked. She also agreed that a contingency clause was a good idea as well. Chair Terry moved to table Resolution 24. Director Breashears seconded the motion. Voice vote passed unanimously.

- **Discussion: Core Values**

Executive Director Belford asked the board what type of strategy map they would like and the directions they prefer to go. Director Bensinger stated she appreciated the designed graphic and that as a new board having core values will help keep everyone grounded: Transparency, Accountability, Teamwork, Responsiveness. It was determined that as a board in each meeting the core values would be discussed until the final version was hammered out. It would be about 15 minutes in each meeting and the core values would be white boarded and discussed at the following meeting. No action is required, and no vote was required. This will move forward.

VI. Staff Report:

- **Vacancies as of September 1, 2020**

- Red Bud Gardens 2 vacancies
- White Sage Flats 7 vacancies
- Golden Elm Meadows 0 vacancies
- Magnolia Court 2 vacancies

- **Renovation status as of September 1, 2020**

- Due to COVID 19 causing lower than expected rent collections, renovations have slowed for the time being.

VI. Adjournment

Regular meeting of FHA Development, Inc was adjourned at 6:42PM.