



**Minutes for February 3, 2021, Special Called Board Meeting
of the Housing Authority of the City of Cayce, SC**

The Board of Commissioners of the Housing Authority of the City of Cayce, SC held a Special Called Board Meeting on Wednesday, February 3, 2021, virtually via video conference.

Chairman Jack Sightler called the meeting to order at 5:00 pm. A copy of the agenda was posted on the Housing Authority’s website. Roll call was conducted, and the following members of the Board were present:

CH Board Members			Columbia Housing Authority Staff Present
Chairman	Jack Sightler	Present	Ivory Mathews, Chief Executive Officer
Vice-Chairman	Bruce Smith	Present	Yvonda Bean, Chief Operating Officer
Commissioner	Silvia Sullivan	Present	Cindi Herrera, SVP Development
Commissioner	Cheryl Seymour	Present	Marissa Phoenix, Chief Financial Officer
Commissioner	OPEN		Lee McRoberts, Executive Assistant
			Visitors:
Legal Counsel	Bo Campbell	Present	Ray Jones, Parker Poe
			Jim Crossland, City of Cayce
			Craig Cobb, Developer

Mrs. Mathews stated that a vote was needed to revise the Agenda to remove the Executive Session. Upon motion of Mr. Smith, seconded by Ms. Sullivan, it was unanimously approved.

Chairman Sightler asked attendees to introduce themselves. Mrs. Mathews introduced Johnetta Riley who will be sworn in as the new Commissioner on the Cayce Housing Board at the meeting on February 16, 2021.

BOND WORKSHOP

Attorney Ray Jones of Parker Poe law firm explained that conduit bond issuances are currently being conducted all over the state by housing authorities due to an increased awareness for the need for affordable housing and because of new tools put into place that provide incentives to investors and developers to pursue this type of financing. By SC state law, housing authorities may act as a bond issuer in conduit bond deals and enable the transaction to occur. Mr. Jones said that the Parker Poe firm is acting as counsel for the purchaser/developer in this deal.

Conduit bond issuances for affordable housing projects have historically been handled by the SC State Housing Finance and Development Authority, changes to the low-income tax credit regulations have increased the demand for conduit bond issuances and the State Housing and Finance Authority is at the capacity they can issue and have encouraged developers to partner with local housing authorities instead as they are also legally able to conduct these transactions.

The project being brought to the Cayce Housing Board is an acquisition and rehabilitation project of an existing property, Abbot Arms. The property is a 100-unit complex built in the mid-1970’s that has an existing Housing Assistance Payment (HAP) contract with HUD. This HAP contract is project based, meaning the assistance is property based and keeps rents affordable for residents. The current owner is retiring and DGA Residential, LLC, a known affordable housing developer and owner, is proposing to purchase the property and conduct a total rehabilitation of all units at the complex.

A Special Called meeting was needed to meet the upcoming deadline of placing an item on the March, 2021 Agenda for the State Fiscal Accountability Authority (SFAA), the approving entity for all bond issuances in the state.

The process for a conduit bond issuance begins with the adoption of an inducement Resolution, that Resolution allows the proposed Bond issuance to be placed on the Agenda of the SFAA's meeting in March where it will be reviewed, approved and a volume cap issued for the deal. The inducement Resolution does not issue the Bonds; once approval has been granted by the SFAA, the deal comes back to the City for a public hearing and approval Resolution and the Cayce Housing Board has to approve a final issuance Resolution to complete the deal. Typically the process takes 4-6 months as the SFAA meets bimonthly.

Cayce Housing would serve as the bond issuer in this transaction. There is no pledge of property or finances or liability for the issuer. The bonds may only be re-paid by proceeds from the project's revenues and all post-closing financial management is conducted by a 3rd party bond Trustee. There is no financial liability for the City of Cayce and all Resolutions relating to the deal are written accordingly. All legal fees are paid by the borrower so no costs will be incurred and Cayce Housing will receive a fee at closing plus an annual monitoring fee for issuing the bonds.

At closing, the borrower receives the funds, acquires the property and completes the proposed renovations. The borrower pledges the property and revenues as a guarantee for the bonds and makes all payments to the Trustee. Mr. Jones opened the floor to questions.

Mrs. Sullivan asked where the money for the bonds comes from? Mr. Jones said that lenders buy tax-exempt bonds that fund these projects due to the tax benefits they receive.

Mrs. Sullivan asked if Abbot Arms will be run like a housing authority property. Mr. Jones said that Abbot Arms is a privately-owned asset managed by a 3rd party management company but is restricted to individuals who have to meet income guidelines defined by HUD and has served the citizens of Cayce since 1975.

Mrs. Sullivan asked what the benefit to Cayce Housing would be if they approve the issuance. Mrs. Herrera said that it generates non-restricted income and helps preserve existing affordable housing in the City. Cayce Housing would receive approximately \$175,000 and an annual fee of \$45 per unit which would generate approximately \$5,000 per year.

Mr. Smith asked how Cayce Housing got involved. Mr. Jones said that all housing authorities are granted the power to issue bonds under SC State law and that the current demand for bonds has placed the SC State Housing Finance and Development Authority at their issuance capacity; they are encouraging developers to work with local housing authorities to complete the deals instead. Mrs. Herrera said that any prospective issuances are thoroughly vetted by staff and legal counsel to ensure they are viable. Compliance monitoring is ongoing for the life of the project and is conducted by a variety of local, state and federal auditors.

Mr. Smith confirmed that there would be no liability for Cayce Housing. Mrs. Herrera said that no exposure exists for Cayce Housing or the City of Cayce and that the Trustee ensures that the account remains in balance for the life of the bonds.

Mr. Sightler asked the amount of the proposed bond issuance. Mr. Jones said that the bond issuance amount is up to \$25 million which covers, in part, acquisition and rehab of the property. The final amount of the bond issuance would be in the final Resolution. Mrs. Herrera said that the total cost for the project is \$38.3 million and the balance of the funds would be acquired from tax credit equity.

Mr. Sightler stated the cost of the project seemed excessive as the land and buildings are appraised much lower based on county tax records. There was a general discussion regarding the cost of the project. Mr. Cobb stated that the acquisition price is \$23.5 million, and the rehab and construction costs make up the balance of the total amount. All units will be fully modernized, a community building will be built and none of the current residents will be displaced as work is completed. The value of the property is tied to the existing HAP contract which generates income, approximately \$1.5 million annually. Mr. Campbell said that the transaction has been vetted by appraisers, lenders and legal counsel before being presented to the Board.

Ms. Sullivan asked if there was a deadline that needed to be met. Mr. Jones said that counsel would like to request the proposed issuance be placed on the Agenda of the March meeting of the SFAA and the deadline to add Agenda items is quickly approaching. If the Board approves the inducement Resolution it will show progress to the lender and move the transaction to the next step but it does not commit Cayce Housing to the final issuance.

Mr. Sightler asked what the Board is being asked to do at this meeting. Mr. Jones said that the Board is being asked to approve an inducement Resolution that will allow the proposed issuance to be presented to the SFAA for their review and approval at their bimonthly meeting in March.

Mr. Sightler asked why this was not being handled by the SC State Housing Finance and Development Authority. Mr. Campbell said that the State has reached its issuance capacity and has been sending developers to housing authorities all over SC to conduct these issuances.

Mr. Sightler asked Mrs. Mathews for her thoughts on the project. Mrs. Mathews stated that she has worked with this team on bond deals in the past and appreciates their knowledge and expertise in the area and supports this project for Cayce fully. Mrs. Mathews thanked the Board for their feedback and input.

Mr. Sightler said he has ongoing concerns about the cost of the project but appreciates that it appears to be well-managed and thought out. Ms. Sullivan also voiced concerns over costs but was open to the idea of moving the process forward with no liability being assumed by Cayce Housing or the City of Cayce or final decision on issuance being made with this step. Mr. Smith said that he understands it now as the purchaser buying the business rather than just buying the property and buildings as physical assets, he also said that it would keep housing affordable that has been for decades and would add value to the neighborhood from the property upgrades.

Mr. Sighter asked why a public hearing would be required and what a timeline would look like if the Resolution were approved. Mr. Jones said that when tax-exempt bonds are issued the IRS requires a TEFRA hearing to be held. If the inducement Resolution is approved and the SFAA approves the transaction at its March meeting, counsel would like to present to Council and conduct the TEFRA hearing at one of City Council's March meetings. Those results would be taken back to the SFAA for final approval and the final issuance Resolution would be presented to the Cayce Board in April.

Ms. Sullivan asked Mrs. Herrera if the HAP contract on the property is what drives the value. Mrs. Herrera said yes, HUD has not issued this type of contract for decades and that if the contract were to be lost or not renewed it would be difficult to replace 100 units of affordable housing in the City. Mrs. Herrera also said that some owners with this type of contract have opted out of the program to make more money on market rent units and further depleting affordable housing inventory across the state; maintaining this property as affordable keeps units available to qualifying Cayce families.

Mr. Sightler thanked everyone for their questions, input and feedback and called for a roll call vote on the approval of Resolution 2021-001: Bond Issuance for Abbot Arms (Inducement Resolution).

Mr. Smith voted Aye. Ms. Sullivan voted Aye. Ms. Seymour voted Aye. Mr. Sightler voted Aye. The Resolution was unanimously approved.

Mr. Jones thanked the Board for their consideration and time.

ADJOURNMENT

There being no further business and upon motion of Mr. Sightler, seconded by Mr. Smith, it was unanimously approved to end the meeting at 6:19 pm.

Prepared by:

Ivory N. Mathews
Secretary/Executive Director