

RESOLUTION NO. 13338-20

A RESOLUTION OF THE COUNCIL OF THE CITY OF NEWPORT NEWS, VIRGINIA FOR JURISDICTIONAL APPROVAL OF THE ISSUANCE BY THE NEWPORT NEWS REDEVELOPMENT AND HOUSING AUTHORITY OF ITS MULTIFAMILY HOUSING REVENUE BONDS FOR THE BENEFIT OF THE CARRIER POINT II PROJECT, LOCATED IN THE CITY OF NEWPORT NEWS, VIRGINIA.

WHEREAS, the Newport News Redevelopment and Housing Authority (the "Authority"), was created pursuant to the Virginia Housing Authorities Law (the "Act"), found in Chapter 1, Title 36, Code of Virginia of 1950, as amended (the "Virginia Code"), and is now existing and operating as a public body corporate and politic, and the Act empowers the Authority (a) with the approval of the local governing body or its designee, to form corporations, partnerships, joint ventures, trusts, or any other legal entity or combination thereof, on its own behalf or with any person or public or private entity, and (b) to issue its notes or bonds in accordance with the provisions of the Act for the purpose of making loans for the prevention and elimination of slum or blighted areas, for assistance in housing construction or rehabilitation by private sponsors and to refund prior obligations issued for any such purposes; and

WHEREAS, the Authority has engaged in discussions with Pennrose Holdings, LLC ("Pennrose"), regarding the development of additional affordable housing on land already owned by the Authority, resulting in the Authority's determination that it would be in the best interests of the Authority and the City of Newport News, Virginia (the "City") for the Authority and Pennrose to jointly form certain new entities for such undertaking, resulting in the organization of (a) Choice Neighborhood II, LLC, a Virginia limited liability company (the "Borrower"), as the ownership vehicle for the development, and (b) Choice Neighborhood II Development Corp., a Virginia corporation (the "Managing Member"), as the Borrower's Managing Member and initially the Borrower's sole Member, but with such ownership interest in the Borrower likely being reduced to a 0.01% membership interest upon the admission as a member of the Borrower of a low-income housing tax credit investor entity; and

WHEREAS, the Authority is proposed to be a 51% stockholder in the Managing Member, with the Authority's Executive Director serving as President of the Managing Member, and Pennrose is proposed to own the other 49% of the stock in the Managing Member; and

WHEREAS, in February 2020, the Borrower applied to the Authority for the issuance of \$5,700,000 of the Authority's Multifamily Housing Revenue Bonds (Carrier Point II Project), Series 2020 (the "Bonds"), to provide financing for (i) a portion of the cost of constructing and equipping a four-story, 38 unit mixed-income, multifamily residential rental housing project, with a community room, fitness center and ground floor commercial space, to be known as Carrier Point II and located on a 0.78 acre site to be ground leased from the Authority at 2700 Jefferson Avenue, in the City (the "Site"), (ii) the creation of various reserve funds, if required, and (iii) the payment of certain issuance and other transaction costs (collectively, the "Project"); and

WHEREAS, the Borrower, which will (a) be the initial legal owner of the Project and (b) commence the construction and equipping of the Project promptly following the issuance of the

Bonds, has its principal place of business at 227 27th Street, Newport News, VA 23607, in the City; and

WHEREAS, on February 18, 2020, the Authority adopted a resolution (the “Official Action Resolution”) to issue an amount not to exceed \$5,700,000 of its tax-exempt bonds, in which it agreed in principle to cooperate with the Borrower in the issuance of the Bonds to finance the construction and equipping of the Project and to ground lease the Site to the Borrower, subject to the adoption of this resolution; and

WHEREAS, due to changes in the economics of the Project and its financing, the Borrower has since asked the Authority to agree to increase the maximum amount of the Bonds so as not to exceed \$7,500,000; and

WHEREAS, Section 147(f) of the Internal Revenue Code of 1986, as amended (the “Code”), requires, among other things, the approval by this Council of the issuance of any new issue of private activity bonds after the Authority has held a public hearing to consider the issuance of such bonds as one of the acts required in order for the interest on such bonds to qualify for exemption from the imposition of federal income tax, and Section 15.2-4906 of the Virginia Code and Section 2 of Chapter 514 of the 1983 Acts of the General Assembly of Virginia similarly require the approval by this Council of the issuance of any new issue of private activity bonds after the Authority has held a public hearing to consider the issuance of such bonds; and

WHEREAS, pursuant to due notice to its Commissioners and following legally compliant public notice, including notice to the public of the means of electronic communication to be used for the meeting, the Authority, on June 16, 2020, by use of the Zoom application, electronically conducted a public hearing on the application of the Borrower for the issuance of such Bonds in compliance with the requirements of Section 147(f) of the Code, Treasury Regulations Section 1.147(f)-1, Internal Revenue Service Revenue Procedure 2020-21, Section 15.2-4906 of the Virginia Code, Section 2 of Chapter 514 of the 1983 Acts of the General Assembly of Virginia and Section 4-0.01(g) of Chapter 1283 of the 2020 Acts of the General Assembly of Virginia, and after such public hearing did adopt a resolution (the “Authority’s Confirming Resolution”) requesting this Council, among other things, to grant “public approval” for the Authority’s issuance of an amount not to exceed \$7,500,000 of its tax-exempt bonds, subject to the adoption of this resolution; and

WHEREAS, pursuant to Section 146 of the Code, Title 15.2, Chapter 50 of the Virginia Code and the current Virginia Private Activity Bond Allocation Guidelines, promulgated by the Virginia Department of Housing and Community Development (“DHCD”), an allocation from the “State ceiling” (as defined in Section 146 of the Code) limitation on the volume of private activity notes or bonds which may be issued in the Commonwealth of Virginia in 2020 (“Volume Cap”) must be granted by DHCD, in its capacity as Allocation Administrator, in order for the interest on the Bonds to be exempt from the imposition of federal income tax, for which allocation of Volume Cap an application must be submitted by the Authority to DHCD; and

WHEREAS, in its Official Action Resolution, the Authority recommended that the Council approve the issuance of the Bonds and support the Authority’s application to DHCD for an

allocation to the Bonds of a portion of the State ceiling of Volume Cap, and the Authority reaffirmed such recommendation in the Authority's Confirming Resolution; and

WHEREAS, a Fiscal Impact Statement complying with the requirements of Section 15.2-4907 of the Virginia Code and Section 2 of Chapter 514 of the Acts of Assembly of 1983, a record of the June 16, 2020 public hearing held by the Authority, and copies of the Official Action Resolution and the Authority's Confirming Resolution approving the issuance of the Bonds and requesting this Council grant public approval of the Bonds, subject to the terms to be agreed upon, have been filed with the Council.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF NEWPORT NEWS, VIRGINIA:

1. That the recitals in the preambles hereto are found to be true and correct in all respects, and are adopted as findings of this Council as if fully rewritten herein.
2. In accordance with the Act, the Authority's investment as a 51% stockholder in the Managing Member, and the Authority's causing the Managing Member to invest in the Borrower and manage its development and operation of the Project, including but not limited to the Authority's roles in organizing the Borrower and its Managing Member, are all hereby authorized, ratified and approved, with the specific terms of such investments and organizational documents to be determined by the Executive Director of the Authority with the advice of counsel to the Authority and such other advisors as the Executive Director deems appropriate.
3. That the Project proposed to be financed by the issuance of the Bonds is deemed appropriate for such financing and, accordingly, the issuance of the Bonds is hereby approved.
4. That the Council supports the Authority's application to DHCD for an allocation for the Bonds of not to exceed \$7,500,000 of the State ceiling of Volume Cap, and authorizes and directs the appropriate City staff to cooperate in the submission of such application.
5. The approval of the issuance of the Bonds, as required by Section 147(f) of the Code and by Virginia Code, does not constitute an endorsement to a prospective purchaser of the Bonds of the creditworthiness of the Project or the Borrower and the Bonds shall provide that the City of Newport News shall not be obligated to pay the Bonds or the interest thereon or other costs incident thereto and neither the faith or credit nor the taxing power of the Commonwealth of Virginia or the City of Newport News shall be pledged thereto.
6. That this resolution shall be in effect on and after the date of its adoption, July 14, 2020.

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PASSED BY THE COUNCIL OF THE CITY OF NEWPORT NEWS ON JULY 14, 2020

Mabel Washington Jenkins, MMC
City Clerk

McKinley L. Price, DDS
Mayor

A true copy, teste:

City Clerk