RESOLUTION MEMORANDUM

DATE: June 25, 2026

TO: Board of Commissioners
Richmond Redevelopment and Housing Authority

FROM: Steven A. Nesmith
Chief Executive Officer/Secretary

SUBJECT: RESOLUTION 2026-24– RESOLUTION APPROVING THE TERM SHEET WITH THE HISTORIC RESTORATION, INC. FOR THE REDEVELOPMENT OF FAY TOWERS AND AUTHORIZING THE CHIEF EXECUTIVE OFFICER TO PROCEED WITH NEGOTIATION OF A MASTER DEVELOPMENT AGREEMENT

Executive Summary

The purpose of this Resolution is to approve the negotiated business terms listed in the attached Term Sheet and authorize the Chief Executive Officer to proceed with negotiating a Master Development Agreement for the Fay Tower redevelopment, known informally as the Gilpin Build-First Project #2. The BOC-approved developer, Historic Restoration Incorporated is utilizing its subsidiary, HRI Communities LLC (HRIC) as the developer-partner entity for the Fay Tower redevelopment.

Background

RRHA released RFP-2025-18 to procure a developer for the Fay Tower redevelopment. Historic Restoration Incorporated utilized its subsidiary, HRI Communities LLC (HRIC) to respond to the solicitation issued by RRHA. On June 17, 2026, the Board of Commissioners approved the selection of Historic Restoration Incorporated to serve as the developer for the Fay Tower redevelopment and authorized the Chief Executive Officer to negotiate the terms of the overall business relationship. HRIC, as a subsidiary of Historic Restoration Incorporated will serve as the developer-partner entity for the Fay Tower redevelopment and as such will serve as a party to the MDA, along with RRHA.

Fay Tower currently vacant consists of 200 units of former public housing. All the public housing subsidies for the development were conveyed through a Rental Assistance Demonstration (RAD) transfer to other properties. The housing development therefore has no remaining units receiving public housing subsidies. A key objective of the proposed redevelopment is to reconfigure the property into a viable and sustainable development that services mixed-income households, including low-income households. Under HRI Communities' proposal, this can be achieved by reducing the initial unit count from 200 one-bedroom units to 100 units to accommodate larger households. While the plan as proposed is considered preliminary it is expected to be refined further based on design and financial planning to determine the most suitable unit configuration that can be maintained at the development given the projected market for such units consistent with the overall Jackson Ward Community Plan, as well as ensuring that redevelopment of Fay Tower dovetails with the planned revitalization of the adjacent Gilpin Court development.

RRHA intends to be thoroughly engaged in the redevelopment of Fay Tower and to participate in every aspect of the program. The project is expected to be financed with LIHTCs, Historic Tax Credits, private debt and other sources of funding to be identified and assembled by HRI Communities LLC (HRIC), who will be solely responsible for the financing, provision of guarantees and securing of needed soft loan or grant financing required to fully source the project. It is anticipated that at a time acceptable to RRHA and any lenders and investors, the HRIC member of the General Partnership (GP) will exit following the end of the development obligation period and the RRHA affiliate will assume the role of sole and managing member of the GP.

See **Exhibit A** for the attached proposed Term Sheet.

<u>Section 3 Compliance [ONLY include if applicable to the action being requested]</u>

The developer-partner entity, HRI Communities LLC, is required to comply with RRHA's Section 3 and MBE/WBE participation requirements. See **Exhibit A** for the details regarding this section of the Term Sheet.

<u>Recommendation</u>

It is therefore recommended that RRHA's Board of Commissioners approve the negotiated terms detailing the business relationship between RRHA and the developer-partner entity, HRI Communities LLC, for the Fay Tower redevelopment, informally known as the Gilpin Build-First Project #2.

RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY

PROPOSED RESOLUTION

Meeting Date: July 15, 2026 Resolution No. 2026-24

TITLE: RESOLUTION APPROVING THE TERM SHEET WITH THE HISTORIC RESTORATION, INC. FOR THE REDEVELOPMENT OF FAY TOWERS AND AUTHORIZING THE CHIEF EXECUTIVE OFFICER TO PROCEED WITH NEGOTIATION OF A MASTER DEVELOPMENT AGREEMENT

RESOLUTION:

WHEREAS, on August 1, 2025, the Richmond Redevelopment and Housing Authority ("RRHA") issued Request for Proposal 2025-18, a Co-Developer for Fay Towers;

WHEREAS, by Resolution 2026-16 approved on June 17, 2026, the Board of Commissioners (the "Board") authorized the selection of Historic Restoration, Inc. ("HRI") as RRHA's co-developer for the redevelopment of Fay Towers;

WHEREAS, HRI has elected its subsidiary, HRI Communities, LLC (the "Developer"), to serve as the developer-partner entity for the Fay Tower redevelopment;

WHEREAS, RRHA has negotiated a Term Sheet with the Developer, attached hereto as ***Exhibit A***, which memorializes the parties' agreement to the fundamental business terms concerned for the Fay Towers redevelopment; and

WHEREAS, in order to effect the redevelopment of Fay Towers, after the Board's approval, the Chief Executive Officer ("CEO") and his designees will negotiate in good faith to develop a definitive Master Development Agreement ("MDA") and complete negotiations of the MDA with the Developer that will implement each and every term enumerated in the Term Sheet.

NOW, THEREFORE, BE IT RESOLVED, by the Board as follows:

1. That the Board ratifies and approves of each of the terms provided in the Term Sheet; and

2. That the CEO and his designees are authorized to proceed with the stated terms within the Term Sheet to negotiate a final MDA, which shall come before the Board for its consideration and approval before execution.

COMMISSIONERS' ACTION

RESOLUTION #: **2026-24**

☐ Approved ____________________
Date

☐ Disapproved ____________________
Date

☐ Tabled ____________________
Date

☐ Withdrawn ____________________
Date

SIGNED:

____
Eddie L. Jackson, Jr., Chair
RRHA Board of Commissioners

Votes Recorded				
Commissioner	Aye	Nay	Abstain	Absent
Eddie L. Jackson, Jr.				
Charlene Pitchford				
Dyanne Broidy				
Kyle R. Elliott				
Barrett Hardiman				
W.R. "Bill" Johnson, Jr.				
Gregory Lewis				
Marika McCray				
Harold Parker, Jr.				

Richmond Redevelopment and Housing Authority
Board Resolution Packet
Certification of Funding Availability

☐ **APPLICABLE**
☒ **NOT APPLICABLE** ***(If checked, do not complete form)***

[To be completed by the department presenting the resolution]
Resolution #: ____________

Resolution Title:____
____

Funding Request
[Narrative Description]____
____
____

Funding Source(s):	**Amount(s)**
Operating	$________________
Capital (Account #)	$________________
________________________	$________________
TOTAL	**$________________**

If applicable-

Amount of previous contract	$____________________________
Amount expended through [date]	$____________________________

[To be completed by Finance]

I ____certify that the funds to be expended in relation to
Print Name [Chief Financial Officer or Budget Officer]

this resolution is available in the RRHA budget.

____ ____________
Chief Financial Officer or Budget Officer Signature Date

EXHIBIT A

FAY TOWER REDEVELOPMENT TERM SHEET

FAY TOWER REDEVELOPMENT
Proposed Business Terms

Based on RRHA's solicitation RFP – 2025-18 and the proposal with cover letter dated September 8, 2025, submitted by Historic Restoration Incorporated's subsidiary, HRI Communities LLC (HRIC), the following business terms negotiated between HRIC (as the Developer-Partner entity) and the Richmond Redevelopment and Housing Authority (the Authority) are outlined below for review and consideration by the Board of Commissioners:

1) **<u>Developer Fee Participation</u>** – HRIC proposed that the developer fee split be 65% to Developer and 35% to the Authority. As indicated above, the Authority concurs that the fee split will be 65% to Developer and 35% to RRHA or its designated affiliate for r Fay Tower unless RRHA covers at its option 50% of predevelopment costs in which case RRHA or its affiliate's share shall be 40%.

   All developer fees are expected to be paid pari passu both in terms of paid and deferred fee. Given the size and complexity of the redevelopment program both HRIC and RRHA will have significant overhead. Accordingly, it is proposed that all developer fees are to be treated the same where it is expected that both HRIC and RRHA will have overhead which will be covered by each party's share of the fee when paid. Developer fee limits will be based on those provided by the tax credit allocation agency and in some cases may be restricted by HUD depending on the specific type of assisted units to be part of the Fay Towers program. Developer fees will also reflect what is reasonable with respect to an appropriate and feasible financing structure required to ensure that the redevelopment is viable. In other words, developer fee may be less than the maximum permitted or have a portion reflected as being due through a "deferred fee note", which will be sized to ensure it can be paid off no later than the end of the 15-year compliance period in a manner acceptable to the parties and the tax credit investor, if feasible. Any deferred developer fee amount will be allocated proportionately based on HRIC's and RRHA's respective shares of the developer fee. HRIC will require that its share of the deferred developer fee be fully paid as a condition precedent to HRIC's exit from the Managing Member entity/General Partnership (GP).

2) **<u>Ground Lease and Fee Simple Ownership</u>** – It is expected that HRIC will be flexible in negotiating a structure where RRHA maintains a fee simple ownership of the land and enters into a long-term ground lease arrangement with the ownership entity. Land value shall be established based on an "as is" basis prior to closing for which the land will be placed under a ground lease at or before financial closing. RRHA anticipates that any ground lease payments will not be counted against RRHA cash

flow or any cash flow to be shared by its GP affiliate member, assuming the full appraised value cannot be accommodated with a capitalized lease payment.

Since the redeveloped property is expected to be largely for affordable units the financing plan approved by RRHA may not be able to support a capitalized lease payment at full appraised value. Accordingly, the payments under the ground lease may be in the form of a nominal payment made annually. RRHA shall be given the opportunity to treat its land value as a loan to be counted toward the acquisition of the project (at the end of the tax credit compliance period or perhaps earlier), as payable in a priority position based on a capital event or treated as an equity contribution with a return comparable to any such equity contribution made by HRIC or other third party as applicable and approved by RRHA, subject to approval by lender and investor. HRIC will work closely with RRHA to negotiate such approval from potential lenders and investors in the project.

3) **Ownership Structure** – RRHA's affiliate shall have the opportunity to participate along with an HRIC affiliate in the GP for the project. The RRHA affiliate shall have no less than a 50% interest in the project GP structure. Further, the RRHA affiliate shall have the opportunity to assume full control of the GP as sole and managing member anytime at its choosing, subject to lender and investor consents, following stabilized occupancy and conversion to permanent financing provided that HRIC no longer has any outstanding guarantees or any unpaid developer fee. HRIC shall work to help assure the provision for this change in the GP structure with any lender or investor in the project.

4) **Cost Savings** – Any cost savings will be permitted to be applied first to development period cost overruns to achieve balanced sources and uses; second to pay deferred developer fee; third to reduce any subordinate debt amount, in order of lien priority or other programmatic requirements subject to the sole but reasonable approval of RRHA. Thereafter, cost savings shall be shared 50/50. In determining available cost savings attention will be given to the objective of maintaining the level of LIHTC equity allocated by the investor to the project. Cost savings will be net of any amounts that are agreed by the parties to be shared with a General Contractor.

5) **Cash Flow** – Distributable cash flow will be shared 50/50 and as indicated under #2 above for RRHA not be inclusive but in addition to any proceeds from the treatment of the value of land that would likely be conveyed under a ground lease. Cash flow will be paid after any deferred developer fees paid pari passu to HRIC and RRHA or its affiliate. If and when RRHA or its affiliate becomes the sole and managing member of the project, the entirety of distributable cash flow would be payable to the RRHA or its affiliate.

6) **Loans and Financing** – HRIC will be responsible for securing all financing needed to undertake the project. RRHA will support HRIC in this effort and will take steps to assist in securing public and where appropriate, private financing. All public and private financing (as well as financing terms) will be approved by RRHA and RRHA shall approve any solicitation for both debt and equity for the project. Payment of interest on any soft loans for the project provided through RRHA will not be counted toward RRHA or its affiliate GP member's share of 50% of cash flow.

7) **Relocation Costs** – Since the building is empty no relocation costs are anticipated. Should any relocation costs become required, they will be treated as a project cost and included in the redevelopment budget and not otherwise be the financial responsibility of the RRHA.

8) **Predevelopment Expenses** – HRIC will be responsible for covering all predevelopment costs unless RRHA elects to follow the terms of the 40% developer fee participation option, in which case predevelopment costs will be split 50/50 between HRIC and RRHA.

9) **Purchase Option (PO) and Right of First Refusal (ROFR)** – RRHA will require that the PO and ROFR be extended exclusively to RRHA or its qualified affiliate. It will be expected that any LIHTC and/or HTC equity proposal be modeled in a manner that makes a best effort to reduce the likelihood of negative capital accounts at the end of the tax credit compliance period and that such proposal, if needed to address negative capital accounts, permit the allocation of losses to the General Partnership to achieve this objective. Further, any offer solicited by RRHA for purchase of the property be accepted by the syndicator/investor as acceptable for triggering the ROFR purchase price for the property or the Limited Partnership (LP) interest.

10) **Guarantee Structure** – HRIC shall provide all customary guarantees during the development period, and any post development period guarantees as long as it remains a member of the GP. At a time of RRHA's choosing, following the end of the development obligation period (i.e., stabilization and conversation to permanent financing), it can assume the role of sole and managing GP and at that time it will assume all required guarantees (subject to lender and investor approval).

11) **Solicitation Lenders and Investors** – HRIC shall develop a solicitation for securing needed lenders and investors which incorporates the necessary components of the business terms between HRIC and RRHA. Accordingly, any solicitation will inform the prospective lenders and investors of the understanding that RRHA shall have the ability under favorable terms to assume the role of sole and managing GP following the end of the development obligation period (i.e., sometime on or after stabilization and conversion to permanent financing). RRHA shall approve the solicitation, as well as have the opportunity to review and comment on any proposals submitted by

lenders/investors and to approve any terms included in a lender or investor proposal to be accepted. Further, in soliciting proposals from lenders and investors RRHA shall be given the opportunity to recommend those to be solicited and to participate in lender and investor interviews that are part of the solicitation process. HRIC recognizes that RRHA and its consultants will likely need to have conversations with potential respondents regarding its role and desired outcomes.

12) **Form of Agreement and Termination Provisions** – It is anticipated that a Master Development Agreement (MDA) covering basic business terms such as those contained herein and the parties will use best efforts to negotiate and complete the MDA within 90 days of the execution of this agreement. The MDA will include (in addition to the business understandings outlined in this agreement) other terms and conditions customary in a transaction of this nature in a manner otherwise satisfactory in a form and substance to the parties and their counsel and can look to the MDA for Gilpin Court for guidance. The Authority will provide the Developer with a draft MDA and work in good faith to incorporate any revisions HRIC may, in good faith, have to the MDA.

13) **Section 3/Minority/Women-Owned Business Participation** – HRIC will comply fully with the RRHA policy governing Section 3, Minority Owned and Women Owned Business Participation. HRIC will develop an outreach plan for facilitating such compliance with the RRHA governing policy and seek RRHA approval of its outreach efforts and plan seeking to have MBE participation as a part of front "tier" contracting on the project. With RRHA's approval, HRIC will issue a Request for Proposals (RFP) to solicit a design-build general contracting partner that encourages minority subcontracting on all levels of the renovation scope which allows for the opportunity for MBE participation in all areas of general contracting and subcontracting which will be communicated by HRIC in its outreach efforts. In undertaking its plan HRIC will work with the RRHA, City and all other applicable stakeholders to create business opportunities for M/WBE firms and will take the necessary steps to afford employment and training opportunities for qualified individuals during predevelopment, construction and if applicable operations of the redeveloped housing development. HRIC will consult the Jackson Ward Community Plan in formulating its outreach, strategies and plan for achieving the goals required under the RRHA governing policy.

14) **Architecture and Design** – HCI Architecture, Inc. will provide architectural and design services and earn a design fee subject to safe harbor guidelines and payable out of the development budget.

15) **Property Management** – RRHA is open to HRI Management, LLC (HRIM) providing property management services while HRIC remains as a GP member. For as long as it is the property manager, HRIM will earn a 6% property management fee, subject to

safe harbor rules and any arrangement with RRHA, if applicable. However, RRHA is interested in maintaining an active role including where appropriate co-management and various forms of participation in the delivery of operating services.

16) **Asset Management** – RRHA, as long as HRIM provides property management services and HRIC has an interest in the managing GP entity, will earn an asset management fee of 2% of effective gross income subject to lender and investor approval and which will be included as a part of any solicitation of lenders and investors for the project.

17) **Operating Subsidy/Rental Assistance** – RRHA and HRIC agree to work cooperatively to ensure the availability of Project-Based Vouchers (PBVs) for an agreed upon portion of the project so that it also attains an unassisted household mix which may include LIHTC units. The PBV units will serve as replacement housing units for Gilpin Court.