

MCHA MINUTES

MINUTES OF THE REGULAR MEETING OF THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF MASON COUNTY (MCHA) HELD AT 8:00 A.M. ON **JUNE 25, 2009**, AT THE MASON COUNTY COMMISSIONER CHAMBERS, 411 NORTH FIFTH STREET, SHELTON, WA 98584

- 1. CALL TO ORDER AND ROLL CALL:** Chair Wallace called the meeting to order at 8:04 a.m. Roll call was as follows:

Present:

Chair Merrill Wallace
Commissioner Carolyn Malanowski
Commissioner Michael Neher
Commissioner Gayle Weston

Absent:

Commissioner Jeannie Gruber

Also Present:

Kurt Wiest, Executive Director
Laura Lyon, Deputy Exec. Dir. /CFO
Kim Morrison, Asset Mgmt- Property Mgr.
Sylvia Anderson, Executive Assistant
Elaine Hoglan, Site Manager

Genevieve Loch, Community Manager
Diane Zoren, MC County Commissioners Office
Tom Drake, Longview Finance Director
Wendy Pearsall, Legacy Regional Manager

- 2. MINUTES**

- 2.1** Approval of May 28, 2009 Minutes (2.1 Mailed 6/18/09)

☞ **Chair Wallace called for motion to approve the May 28, 2009 minutes. Commissioner Weston moved for approval of motion. Commissioner Malanowski seconded motion. Chair Wallace called for question. None opposed. Motion carried.**

- 3. PUBLIC COMMENT:** None

- 4. CHAIRMAN COMMENTS:**

Chair Wallace shared a brochure containing the history of MCHA beginning in 1972, and noted that the Bremerton Housing Authority joined MCHA in March 1978.

- 5. COMMISSIONER COMMENTS/REPORTS:** None

- 6. EXECUTIVE DIRECTOR'S REPORT:**

Mr. Wiest advised that the MC Housing Coalition was meeting today from 3:00 – 4:30 at the Public Works Building to provide a forum to discuss affordable housing in the county. The members of the board were encouraged to attend the meeting.

- 7. FINANCIAL**

- 7.1** **Approval of Cash Disbursements** made between 5/01 – 5/31/09 in the amount of \$76,036.50. (7.1 Mailed 6/18/09)

☞ **Chair Wallace called for motion to approve the Cash Disbursements for May 2009 for \$76,036.50. Commissioner Weston moved for approval of motion. Commissioner Neher seconded motion. Chair Wallace called for question. None opposed. Motion carried.**

7.2 Approval of Tenant Accounts Receivable Write offs for Pine Garden for the month ending 5/2009 in the amount of \$205.73. (7.2 Mailed 6/18/09)

☞ **Chair Wallace called for motion to approve the Accounts Receivable Write-offs for Pine Garden for May for \$205.73. Commissioner Weston moved for approval of motion. Commissioner Neher seconded motion. Chair Wallace called for question. None opposed. Motion carried.**

7.3 Approval of Write-offs for the Housing Choice Voucher/S8 Program-Tenant Accounts Receivable for the Month Ending 5/2009. *There are no write-offs this month.*

7.4 Interfund Reserves and Cash Review (7.4 Mailed 6/18/09)

Ms. Lyon stated that the BHA payable balance amount was essentially "locked down" going into May so that BHA could finalize and prepare Resolution MC09-04 (Agenda Item 7.5). As a consequence, there was not much change from the prior month. The local fund cash will be the source of any differences from that point forward.

The only significant drop in cash was in the Coves, which was related to a sizable payment of approximately \$40,000 to Paul Davis Restoration for the sewage claim repairs. (Insurance reimbursement had been made.)

Ms. Lyon commented that Legacy will be handling the operating accounts and the cash transactions related to each property as part of their contract responsibilities. Longview will be handling the financial reports - cash disbursements review, certification process, and it is assumed also the local fund transactions. BHA is working with Legacy and Longview to make the transfer of funds to the appropriate bank accounts as the transition progresses forward. Everything has been approved with the exception of the HUD approval for Pine Garden. BHA is proceeding with the assumption that operations will be turned over on July 1. Chair Wallace referred to the MOU which provided a detailed listing of Longview's responsibilities.

Chair Wallace's said it was his understanding, that with regards to Pine Garden it was an issue of HUD objecting to the corporate structure of Legacy. Ms. Pearsall indicated that Legacy sent in the required paperwork to the HUD local representative and is waiting for direction from them.

Mr. Wiest explained that it has been worked out with Legacy that they will take over as a subcontractor, effective July 1, moving forward as if HUD approval has been received for Pine Garden. BHA will still be the management entity for Pine Garden in the interim. It is anticipated that the HUD formal approval will be forthcoming the second or third week of July. Ms. Hogland and Ms. Loch will be transitioning to Legacy, effective July 1.

Ms. Lyon emphasized that BHA is committed to working with all parties concerned to make the transition process go smoothly. As there are multiple parties involved, BHA is communicating with who they think is the primary entity and copying the other party in the event things must be redirected.

Ms. Diane Zorn stated that since Betty Wing is no longer employed with Mason County, they are not sure who will be clerking at the county offices. However, in the future, it will either be Ms. Zorn or one other person in the county offices who will be attending the board meetings.

7.5 Resolution MC09-04 Approving the Note Payable to BHA - \$155,769 (7.5 Mailed 6/18/09)
Commissioner Weston asked if the commissioners believed that the Note Payable for \$155,769 was fair and equitable. Chair Wallace mentioned that this had been discussed at past board

meetings, and also noted that the debt had been lowered substantially over time from \$755,000 ±.

Ms. Lyon commented that, normally, most Promissory Notes do not have the type of open-ended terms as presented today for approval. She explained that the last paragraph of this Note was standard legal language which is more in the nature of the hold harmless and indemnification. This note is not attached to any property. The note is not secured or collateralized. It is a recognition and memorialization of the expectation going forward. It specifically states that there is no obligation to pay if it impairs MCHA's cash position or is in conflict with other requirements under any other financing terms. This Note basically states that MCHA will agree to make good faith efforts to reimburse BHA when executed. There is no event of default if a payment is not made and there is no accrual of interest so it does not continue to grow in amount. The intent is not to push MCHA into a financial dilemma in trying to make payments.

Commissioner Weston asked if MCHA found themselves in another financing need in the future, would BHA be willing to subordinate their position to another lender. Ms. Lyon stated that BHA would most likely entertain a discussion at that time. She stated that it was her hope that if MCHA entered into a refinancing situation, they would use that opportunity to pay off the debt owed to BHA.

Commissioner Malanowski asked if in any year in which a payment was not made, would they have to justify and disclose that they are not in a position to do so. Ms. Lyon believed that it would be a courtesy to communicate this information to BHA.

Commissioner Neher inquired as to how BHA would determine if MCHA was in a position to make a payment. Ms. Lyon stated that cash reserves can only be used for specific designations as they are tied to the properties. However, to the extent that MCHA has operating cash and it is sufficient to make a payment, it is expected that a payment would be made. The timing of a payment coincides with MCHA already having gone through an audit process and a required verification of availability of surplus cash per the terms of the recently executed Pine Garden financing.

Ms. Lyon indicated that this Note Payable incorporates an existing Note Payable executed as part of the Pine Garden financing. In addition, there is a separate Bond that was previously established and still exists, which is subordinate to the HUD Insured Mortgage debt obligation. This Bond requires that MCHA go through a calculation as part of the audit process to determine if surplus cash is available. Therefore, when going through this process, it will confirm if MCHA has funds available for not only the Bond payment but also if there is sufficient money to apply to the Note Payable.

Chair Wallace stated that this Note was as close to the BHA Board writing off the debt as one can get without actually doing a write off. He also stated that he thought there should have been some consideration of writing the note off completely.

Mr. Wiest stated that he communicated to the BHA board at their last meeting what the goals were over the last few years regarding working on a plan to end the relationship with MCHA and moving forward for them to be successful in the future. BHA worked diligently to try to reduce the debt and has been successful in many ways. BHA also set as a goal positioning the properties so that if there was the likelihood of a debt or issues with the properties, there would still be a positive cash flow. Mr. Wiest believes that BHA succeeded in reaching that point with all the properties except Pine Garden. He feels that Pine Garden's prospects for the future, due to the refinancing, are much better.

There is a recognition that this scenario is not ideal; however, the point made to the BHA Board was that this was the best workable solution for the two cooperating entities. The goal was to make sure that the Mason County Housing Authority can continue to be an asset in their community. At the same time, BHA has a responsibility as a public agency to not write off a large amount of receivables. Mr. Wiest's hope is that the MCHA board recognizes that this decision was not taken lightly.

Commissioner Weston asked what the consequences would be if they did not approve Resolution MC09-04. Mr. Wiest stated that he would report the decision back to the BHA board and they may then give him direction to take more aggressive measures to seek repayment of the debt as they would potentially see it as an action on the part of the MCHA board of not acting in good faith in dealing with a debt owed to BHA.

Mr. Tom Drake of Longview believed that under the current circumstances the terms of the Note seemed rather favorable.

Commissioner Weston reiterated comments documented in previous board meetings regarding her beliefs that BHA should take some ownership for the remaining debt owed, as MCHA must trust BHA's word that the accounting for the debt is fair and equitable. A conversation ensued detailing their concerns regarding the legitimacy of the debt and ownership that should be taken by BHA due to (in her opinion) the properties not being managed properly.

Mr. Wiest reminded the commission that BHA provided the board with detailed reports showing where the receivables began and how they had built up over time. Mr. Wiest suggested that if the commission so wished, they could conduct their own independent analysis.

Mr. Wiest also reminded the board of the purchase of property that was never developed and the cost incurred by consultants. A significant portion of the balance owed was therefore not a cash flow situation related to rents or property management issues. There was considerably more to it than that and it has been detailed, illustrated and reviewed in past board meetings. Chair Wallace also cited that the purchase of 7th and Park is what caused the major issues as the rules set out by HUD in 2005 and forward changed in that the net restricted assets could not be used for any other purpose but the Section 8 program.

Chair Wallace stated that he was not comfortable with approving the Resolution and signing the Promissory Note; however, he is in agreement with Mr. Drake that it is probably the most favorable in that there is no interest and there are no consequences if they do not make a payment. As two public organizations, it is possible that in the future a determination could be made to write off the debt. Chair Wallace reviewed the consequences of not approving the Resolution.

Mr. Drake explained that as they prepare the annual financials statements, they would review the calculations to determine if there was excess cash to make payment on the Note. A recommendation would then be made to the Board at that time. A discussion ensued as to how, when and if properties would be able to have funds available to pay on Note.

Chair Wallace brought up the subject of BHA requiring space in Shelton to operate their HCV program and the possibility of MCHA leasing some space in Kneeland Park to BHA.

☞ **Chair Wallace called for motion to approve Resolution MC09-04 approving the Note Payable to BHA for \$155,769. Commissioner Neher moved for approval of motion. Commissioner Malanowski seconded motion. Chair Wallace called for question. None**

opposed. Motion carried.

7.6 Washington State Audit Report (7.6 Mailed 6/18/09)

Chair Wallace commented that he had an opportunity to attend the State Auditor's Exit meeting and referred to the May 28, 2009 letter received from the State Auditor congratulating the MCHA for its commitment to accountability as demonstrated by the sixth consecutive audit without a finding.

Chair Wallace explained that there may or may not be a single audit by the State next year depending on their threshold of \$300,000. If MCHA does not meet the threshold, then they will potentially be on a three-year audit cycle.

Other comments relating to audits were:

- Pine Garden must have a REAC audit, which is an annual requirement for the electronic submission.
- There will be field work that will have to be accomplished by the State auditors. A decision on how the process will take place will not be made until the regional team, who will actually be conducting the audit, is established.
- Kneeland Park must have an independent CPA audit, which is part of the tax credit financing requirements. The firm who has been conducting the audit work gave notice that they were intending to stop doing audits on certain sized properties such as Kneeland Park. As a courtesy, they did agree to do one more year of work for BHA due to it being a transition year. This firm is willing to provide references for other firms, if need be.

8. MANAGEMENT:

8.1 Routine Occupancy Report for The Coves, Kneeland Park, and Pine Garden for the month ending 5/2009. (8.1 Mailed 6/18/09) No comments.

8.2 Property Inspection Report Summary for the month of 5/2009. (8.2 Mailed 6/18/09)
With regard to Pine Garden notices posted, Ms. Loch clarified that most of the 10 notices were for repayment agreements for pet deposits. She does not believe that they have any outstanding rents for the month.

There are two eviction notices taking place at Pine Garden: one is for domestic violence and the other is for fraud.

8.3 Kneeland Park Project-Based Vouchers (PBV) (8.3 Mailed 6/18/09)

Mr. Wiest reported that the BHA management has been working to satisfy the regulatory obligations necessary to finalize the PBV contract for five units at Kneeland Park. The final requirement has been completed and BHA is now able to move forward with the execution of this contract. The Housing Quality Standards inspections for the units were completed; therefore, the contract will begin on June 12. BHA staff will be working with Legacy to implement this subsidy after the management transition on July 1, 2009. Mr. Wiest signed the 15-year contract on behalf of the Authority.

8.4 Pine Garden (PG) Project-Based Vouchers (8.4 Mailed 6/18/09)

Mr. Wiest advised that the BHA staff researched the possibility of obtaining a PBV subsidy for the market-rate units at Pine Garden with HUD. It was determined that they would be unable to pursue PBVs at Pine Garden because more than 25% of the dwelling units at Pine Garden already received project based assistance; therefore, the remaining units are ineligible.

Mr. Wiest noted that a market rate is currently being charged for the 4 units at Pine Garden. As soon as the rehab work has been completed, he expects that Legacy would want to notify the tenants that the rents will be raised to the market level. Additional income should then come through on these four units within the next 6 to 9 months.

9. DEVELOPMENT: None

10. UNFINISHED BUSINESS: None

11. NEW BUSINESS:

11.1 Transfer of Material from BHA to MCHA (files, corporate seal, templates, etc.)

Mr. Wiest stated that BHA has a lot of material that has been accumulated over the years.

Documents:

- Please refer to 7.4 where Ms. Lyon details the responsibilities of Legacy and Longview.
- Chair Wallace will be meeting with Mr. Drake and Ms. Zoren after the board meeting to discuss the process of who, when and where records, seals, etc. should be sent and who would be handling.
- Chair Wallace said that the county had originally agreed to assist with meeting notices, agendas and minutes. Ms. Anderson will prepare the 6/28/09 minutes and forward to commission for review and finalization. However, it will have to be determined how the process will be handled for future meetings.

Insurance:

- Chair Wallace received a call from HARRP advising that they would not cover MCHA if they used Legacy, as Legacy does not qualify under their program. They did indicate, however, that they may cover the Officers' and Directors' Liability insurance. They are suggesting that MCHA move from HAARP to Cascade Risk Placement. MCHA may need to change insurances coverages by July 1, 2009. (Kneeland Park has their own insurance coverage.)

12. FUTURE MEETINGS: July 23 and August 27, 2009

13. ADJOURNMENT:

There being no further business, Chair Wallace called for motion to adjourn meeting at 9:23 a.m. Commission Weston moved to approve motion and Commissioner Malanowski seconded motion. Chair Wallace called for question. None opposed. Motion carried.

[Handwritten signature]
Executive Secretary

[Handwritten signature]
Chair

SEAL:

