

MASON COUNTY HOUSING AUTHORITY MINUTES

MINUTES OF THE REGULAR MEETING OF THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF MASON COUNTY (MCHA) HELD AT 9:00 A.M. ON **February 24, 2011**, 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 9:02 a.m. Roll call was as follows:

Present:

Chair Merrill Wallace
Commissioner Gayle Weston
Commissioner Jeannie Gruber (via phone conference)
Commissioner Carolyn Malanowski (via phone conference)

Absent:

Also Present:

Tom Drake, Longview Finance Director
Wendy Pearsall, Legacy Regional Manager (via phone conference)
Marie Seymour, Central Operations

2. **MINUTES:** Approval of the January 27, 2011 regular meeting minutes.

Chair Wallace called for motion to approve the January 27, 2011 regular meeting minutes. Commissioner Weston/Malanowski moved and seconded motion. Chair Wallace called for question. None opposed. Motion carried.

3. **PUBLIC COMMENT:** None

4. **CHAIRMAN COMMENTS:** Chair Wallace noted that there were some additions to the Agenda; Item 10.2 -Kneeland Park tax return, Item 9.3-Disposition of Properties update & 6.3 Cost reduction session.

5. **COMMISSIONER COMMENTS/REPORTS:** None

6. **FINANCIAL:**

6.1 **Approval of Claims Certification for January.**

The Cove Apartments - \$34,259.11
Pine Garden Apartments - \$26,316.83
Kneeland Park Apartments - \$44,724.28

Mr. Drake reported that there are some accounts that are outstanding.

Chair Wallace called for motion to approve the Claims Certification for January. Commissioner Weston/Gruber moved and seconded motion. Chair Wallace called for question. None opposed. Motion carried.

- 6.2 **Income Statement Review-**Mr. Drake reported that Pine Gardens and Kneeland Park are still critically short on cash. He also noted that the Cove properties have a \$22,000.00 over budget on maintenance/repair contracts. All of that money came out of the reserve expenditures, so is budgeted.

Mr. Drake reported that Pine Gardens has high vacancy numbers due to the holding of some of the units in anticipation of the renovation.

Mr. Drake asked Ms. Pearsall if the \$6,000.00 over budget on floor coverings is anticipated to come out of the construction budget.

Ms. Pearsall explained that it was, which would put the expenditures in line.

Mr. Drake reported that Kneeland Park's vacancies are high right now. Bad debt/tenant rents are high, and asked Ms. Pearsall if write-offs were done.

Ms. Pearsall explained that there were a few write-offs in the middle of the month.

- 6.3 **Cost Reduction Session-** Chair Wallace requested that item 6.3 Cost Reduction Session, be tabled to the March 24, 2011 meeting when more members of the Board could be present in person to review.

7. MANAGEMENT:

- 7.1 **Routine Occupancy and Property Inspection Reports** for The Coves, Kneeland Park, and Pine Garden for the month of January.

The Coves- Ms. Pearsall reported that the Coves has four units on notice to vacate. Routine inspections have recently been done regarding companion animals and additional follow-ups have been completed. The Capital Improvement Project has been worked on as well.

Cmmr. Weston asked Ms. Pearsall to explain the office expense regarding parking policy enforcement tickets.

Ms. Pearsall reported that they are giving out parking passes for resident's vehicles that belong at the complex. There has been a problem with guests visiting and parking their cars indefinitely. The purpose of the passes is to identify vehicles that belong in the parking lot.

Cmmr. Weston asked Ms. Pearsall about the \$230.00 membership fee "Dues and Subscriptions"

Ms. Pearsall responded that the fee is an anticipated membership fee.

Mr. Drake asked if the estimated cost of Goldsborough Cove parking lot was planned out of reserves or if it has to be approved from USDA.

Ms. Pearsall responded that the cost is planned out of reserve, and was in the budget for Capital Improvements. Plans are to start the project in April or May.

Kneeland Park- Ms. Pearsall reported that Kneeland Park had 3 vacant units last month that have all recently been filled but one. The one remaining is currently in the process of screening. There are 20 units full at this time. She reported that the manager has been doing a good job keeping units filled and collecting rent.

Chair Wallace inquired about the garbage and trash removal for one vacant unit in the amount of \$1100.00.

Ms. Pearsall clarified that the garbage bill was for the monthly billing as well as extra garbage that had to be hauled out due to vacated units that were left filled with garbage and furniture.

Pine Gardens-Ms. Pearsall reported that the units have been 100% occupied since the 10th of February. One unit has been off-line in anticipation of the rehabilitation.

Cmmr. Weston asked Ms. Pearsall if there was any way to push through with the paperwork that HUD is working on for the rehab.

Ms. Pearsall explained that CW Capital wants three bids from contractors for the rehab and she is working on that.

8. DEVELOPMENT: None

9. UNFINISHED BUSINESS:

- 9.1 **Pine Garden Renovation Status-**Chair Wallace reiterated that CW Capital is asking for three bids that Ms. Pearsall is working on.
- 9.2 **Emergency Housing Grant-** Mr. Drake reported that the money was received for the grant and he is waiting for a contract for someone to rent from the shelter to start paying that. As soon as a tenant can be found, payments can be made. When he receives word that the units are leased up he will start monthly payments on the subsidy portion.
- 9.3 **Disposition of Properties-** Chair Wallace reported that he has had several conversations since the last meeting, one being with Chris Anderson of Key Bank. The other was with Jan of Community Action Council (CAC). They are still waiting on getting their materials from Farm Home so that they can analyze the materials and make a decision on the transfer of properties. They have proposed a concept that they would like to use to acquire The Cove properties. They need to have approval from Rural Development. He asked Jan if they have looked at the Pine Garden property and she explained that they hope to work with only one property at a time.

10. NEW BUSINESS:

- 10.1 **Kneeland Park Investor (Key bank)-** Chair Wallace explained that there is a tax credit at the end of the 15-year compliance period called Exit. Chris Anderson from Key Bank called and explained that Kneeland Park is beginning year 16. The compliance period ends 9/11/2011. The way out of the partnership requires an attorney to dissolve the partnership and the entity that acquires the property ends up acquiring the investor's equity and assumes the remaining debt on the property.

Mr. Drake gave the typical scenario for closing out the projects. He explained what happens is the authority would buy out the tax credit for \$1.00 plus the outstanding debt. The debt of known recourse would transfer to the new owner. If CAC decides to buy the properties, it is an opportune time to do the transfer and dissolve the partnership at the same time. Debt would be assumed by CAC. There is an upstanding developers fee of around \$80,000.00, which in a revised partnership agreement does not get paid at close out. Based on the financial statements and tax return, the property currently has a positive equity for both partners, so the exit will generate a tax benefit to Key Bank Corp, so there won't be any tax liability for exiting out of the project. Mason County actually owns the property, and it is leased to the partnership for \$12.00 a year, and will probably take a couple of hours with an attorney to make sure the transfer happens at the same

time. Originally the lease was done to protect the tax-exempt status of the property and to eliminate the excise tax as well. The next step is to assign a lead person to talk with CAC and start pulling everything together.

Cmmr. Weston asked about the balances on the tax return.

Mr. Drake explained that he has a hard copy of the tax return with him, but the people calling in on the phone today won't have chance to review it at this time. The remaining balance owed on the property is around \$467,000.00 of outstanding debt. He added that there is another additional 7 years of compliances on the property as well, so whoever bought it would have to comply with that.

- 10.2 **Kneeland Park Tax Return-** Mr. Drake received from the auditor both a tax return and year-end financial statement. They are asking the Board to review those and sign the management letter after review.

Chair Wallace commented that it would be advisable to table the item 10.2 to the March 24, 2011 meeting when the Board will be present in person. In the meantime, Mr. Drake is going to email the documents to all of the Commissioners for their review.

The Board consensus was that that would be a good idea.

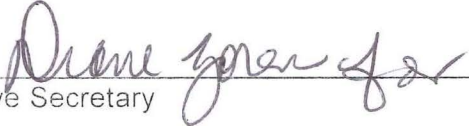
Mr. Drake also received a letter this week from HUD regarding results of the Pine Garden audit. The auditors commented on distribution of funds. They considered inappropriate distribution of funds regarding money that is paid to Longview Housing Authority to prepare the financial statements and do the claims certification. Mr. Drake needs the Boards approval to respond explaining it is not a distribution to the owner, but a cost to the property to meet their legal obligations, since a claims certification and monthly financial statements are required by State law. It is considered an expected function of the property.

The consensus¹ of the Board was to allow Mr. Drake to reply accordingly.

11. FUTURE MEETINGS: March 24, 2011.

12. ADJOURNMENT:

There being no further business, Chair Wallace called for motion to adjourn meeting at 9:43 a.m. Commissioner Malanowski/Weston moved and seconded to approve motion. Chair Wallace called for question. None opposed. Motion carried.


Executive Secretary

Chair 