

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 27, 2014**, AT THE MASON COUNTY COMMISSION CHAMBERS, 411 NORTH FIFTH STREET, SHELTON, WA 98584

1. **CALL TO ORDER AND ROLL CALL:** Chair Wallace called the meeting to order at 9:00 a.m. Roll call was as follows:

Present:

Chair Merrill Wallace
Commissioner Karen Monroe
Commissioner Tamra Ingwaldson
Commissioner Janet Thompson

Absent:

Also Present:

Katie Wilkie, Longview Housing Authority
Tom Drake, Longview Housing Authority
Becky Rogers, Clerk of the Board

2. **MINUTES:** Approval of the November 27, 2013 and January 23, 2014 meeting minutes.

Chair Wallace called for motion to approve the November 27, 2013 special meeting minutes and January 23, 2014 regular meeting minutes. Commissioner Thompson/Monroe moved and seconded to approve the meeting minutes. Chair Wallace called for the question. None opposed. Motion carried.

3. **PUBLIC COMMENT:** None

4. **CHAIRMAN COMMENTS:** Chair Wallace reported that several Housing Authority members attended a Mason County Housing Coalition meeting, at the invitation of Patti Sells. They had an open discussion with the group and discussed the potential of how to collaborate on funding issues.

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

6. **FINANCIAL**

- 6.1 Approval of Claims Certification for **January 2014**
The Cove Apartments – \$105,959.58
Pine Garden Apartments - \$14,835.68
Kneeland Park Apartments - \$12,979.10

Chair Wallace called for motion to approve the Claims Certification for January 2014. Commissioner Monroe/Thompson moved and seconded to approve the Claims Certification for January 2014 as noted above. Chair Wallace called for question. None opposed. Motion carried.

- 6.2 **Income Statement Review** -- Mr. Drake noted they are still investigating balance sheet balances from the prior management. In particular, they are focusing on the months of September and October. There is approximately \$40,000 in tenant accounts receivable,

which is approximately a whole month of receivables. They are sending out notices to tenants that still carry balance.

The Coves accounts receivable - other is \$77,607. The USDA had not transferred the depository account from Guardian Management over to the Housing Authority and they have since paid that. The Income Statement is right on the mark. Kneeland Park and Pine Gardens have some half subsidies which show up on a different line. Both properties have vacancy issues which are being addressed. The total revenue is within \$1,000 of the original budget, even with the vacancies.

Kneeland Park net income is short approximately \$700 to date, Pine Gardens is \$1,500 over budget. The Coves is \$17,000 short, which is due to a septic system failure last November where they spent \$34,000 on repairs. A board member questioned if the repairs were compounded due to lack of maintenance on the septic system. Mr. Drake replied that one of the two pumps broke. When they took out the pump to get it fixed, the second pump failed. They had to pump twice a day while repairs were being made. Due to the holiday, it delayed some repairs.

MANAGEMENT:

- 7.1 Routine Occupancy and Property Inspection Reports** for The Coves, Kneeland Park, and Pine Garden for the month of January 2014. The report reflects occupancy as of the first day of the month.

The Coves

Unit Count – 60 – The occupancy is doing well within the 95% rate.

Kneeland Park

Unit Count – 21 – Occupancy is down at this time.

Pine Garden

Unit Count – 28 – The occupancy rate is also down at this time.

Chair Wallace noted that the projects have been financed at 97% occupancy. When they get the small projects and one unit is empty, they are below the funding rate. Mr. Drake stated that they are budgeted at 95% occupancy.

Ms. Wilkie noted that they are working on re-certification.

- 7. DEVELOPMENT:** None

- 8. UNFINISHED BUSINESS: Commissioner Vacancy.** There is still a vacancy on the Board of Commissioners. This vacancy will be announced at the March meeting of the Mason County Housing Coalition.

- 9.1 Roofing Contract --- Ms. Wilkie stated the contractor that was selected last month for a portion of Kneeland Park did not pay prevailing wage. Management did not honor the bid, because they did not bid at prevailing wage. The project will be re-bid with a request for proposal (RFP).**

- 9. NEW BUSINESS:**

- 9.1 Preliminary estimates for refinancing Kneeland Park and Pine Gardens**

A two-page document on the Mason County feasibility of 4% Low-Income Housing Tax Credit (LIHTC) Project was submitted by Mr. Drake. Chair Wallace asked if this would take care of Pine Gardens bonds A & B. Mr. Drake responded it would take care of the B bond; however, he was unclear if it would take care of the Bremerton debt. Chair Wallace commented this is a preferred option for refinancing as there is an investor income. Cmmr. Ingwaldson asked if other banks refinance these types of properties. It was noted that Anchor Bank and Key bank have been involved with the properties in the past. Typically, if they have a relationship with the bank they often would get a better price on the bond. Chair Wallace interjected that the bank would purchase the tax credits and then find investors who would provide the money. They would become the limited partner. The Housing Authority stays as the General Partner. Mr. Drake noted that if the Board is interested in pursuing this option, there is a lot of due diligence ahead. They may need to go out and get predevelopment funds. They could, for example, go to the county and request a grant as a loan, with the potential of payment back if the tax credit went through. The 4% tax credit is non-competitive. It was questioned if they could mix some new units into this. It was noted they could add new units, if space is available. However, they do not have the capacity for both the new units and the refinance at the same time. If the land is in their name they release it back to a partnership for \$1/year and it remains exempt from property taxes, which helps the operations.

Mr. Drake stated because of the clientele that is being served, there is a state exemption that would need to be applied for annually. It would also exempt them from property tax. The project even though it is a 10 year tax credit is a 15 year compliance. At the end of 15 years, the investment partners typically want out. They want to sell their interest. Kneeland Park was signed over, at a bargain price, to the Housing Authority, because the investors wanted out of the agreement. Typically, it costs the Housing Authority the cost of the tax consequence for exiting. If the property has been successful and earned a lot of money, it could be expensive to exit out. If it is typical with these properties, with depreciation they lose money each year. The cash flow is well, and the tax consequence is zero to exit out. At the end of 15 years it is usually a bargain sale back to the Housing Authority. Kneeland Park was a partnership until 2010 when they transferred it back. The original developer had developed the property and had a management company and then decided he was not able to manage it anymore and asked the Housing Authority to step in and take on that roll. The Housing Authority became the partner. If the HA does not want to approach this, the other route for Kneeland Park is to go back and refinance a loan. Chair Wallace stated they know they need to do something for Kneeland Park, because they have been put on notice back around June that they needed to do something or it would put it up for sale. Morgan Brock and Chair Wallace met with them concerning deferred maintenance of \$100,000 - \$120,000. They had done inspections and it did not show well. Because of the age, it is getting close to 20 years. The project has not had any major remodel. The construction of it was questionable on how it was actually put together. The concern with Anchor Bank or other banks is they want a capital needs assessment which would cost up to an additional \$6,000. After the assessment, the bank would determine whether they would refinance the project. They would buy down the interest rate of 6.5%.

Chair Wallace recommended the Board proceed with the next step of the LIHTC to see determine how to fund the front end of this project. Board Member Ingwaldson concurred that this appears to be a better option all around. Mr. Drake noted this is a big task that could take approximately two years. He anticipates they will need to bring another company in to assist with the process.

The front end money is where they will be looking for a grant or forgivable loan if it fails. Cmmr. Ingwaldson noted that the Mason County Housing Coalition may be able to partner by providing part of the up to \$80,000 needed, out of their reserves, if it can be paid back.

Chair Wallace stated they will be looking for an update on the feasibility, next month. The next step is to look for the pre-development fund. Once the pre-development fund is in place, they can start applying for the tax credits and get the architectural work done. The tax credit management wants half of the fees when the application is submitted. Chair Wallace again noted they looked at refinancing with Anchor Bank and buying down the interest rate. However, with any of the options, there needs to be the income flow to pay monthly debt. There is not enough cash reserves to make it work. They have gone through the exercise with all the banks and it does not seem to be workable, as they do not have enough cash in reserve. Cmmr. Ingwaldson asked if Mr. Drake would draft a proposal and present it to Patti Sells, Housing Coalition Coordinator, concerning partner options with the Mason County Housing Coalition.

Cmmr. Monroe/Ingwaldson made a motion to proceed with the LIHTC feasibility. Chair Wallace called for the question. None opposed. Motion carried unanimously.

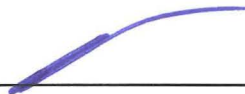
10. FUTURE MEETINGS: Thursday, March 27, 2014

11. ADJOURNMENT:

There being no further business, Chair Wallace called for motion to adjourn the meeting at 9:58 a.m. Commissioner Monroe/Ingwaldson moved and seconded to approve motion. Chair Wallace called for question. None opposed. Motion carried.



Executive Secretary



Chair

SEAL: