

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 4, 2015**, 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 Tyler Music
Commissioner Kathy Haigh
Commissioner Tammey Newton

Absent:

Also Present:

Ken Morrell, Cascade Management, Inc. Portfolio Mgr
Patti Sells, Mason County Public Health/Housing Coordinator
Geri Eckenrode, KMAS
Becky Rogers, Clerk of the Board

2. **MINUTES:** Approval of the December 3, 2014 regular meeting minutes.

Chair Wallace called for motion to approve the regular meeting minutes for December 3, 2014. Commissioner Music/Haigh moved and seconded motion. Chair Wallace called for question. None opposed. Motion carried.

3. **PUBLIC COMMENT:** None

4. **CHAIRMAN COMMENTS:** Two newly appointed commissioners, Tammey Newton and Kathy Haigh, were welcomed to their first board meeting.

5. **COMMISSIONER COMMENTS/REPORTS:** Each Commissioner briefly shared their background. It was noted that South Sound Renters Association is a good source to make connections with individuals involved with rentals in Mason County.

6. **FINANCIAL:**

- 6.1 Approval of Claims Certification for **October 2014, November 2014 & December 2014**

The Cove Apartments – \$11,767.23; \$13,771.78; \$12,398.60 – Total \$37,937.61

Pine Garden Apartments - \$7,548.58; \$14,365.59; \$19,009.63 – Total \$40,923.80

Kneeland Park Apartments - \$5,778.20; \$6,766.59; \$5,635.06 – Total \$18,179.85

Chair Wallace called for a motion to approve the Claims Certification for October, November and December 2014. Commissioner Music/Monroe moved and seconded the motion. Chair Wallace called for question. None opposed. Motion carried.

- 6.2 Income Statement Review** – The board reviewed the November and December reports submitted by Cascade. The December reports reflect Cove Apartments net income is \$12,778.09. Kneeland Park and Pine Garden Apartments each have a net loss for the month of December. They are moving through the vacancies which will help these figures.

7. MANAGEMENT:

- 7.1 Routine Occupancy and Property Inspection Reports** for The Coves, Kneeland Park, and Pine Garden for the months of December 2014.

The Coves – There are 6 vacant units. They are working with interested applicants which are in varying stages (applicant, verification, compliance, and final). He noted they process three interests at a time, in case one or more does not make it through all four stages of the process. The application screening fee is requested when they have reached the appropriate step.

Cmmr. Haigh questioned if prioritization is given to someone with small children. Mr. Morrell responded that the three properties are all family complexes. There are occupancy standards for each unit which are explained to the individual during the application process. An individual can apply for a 2 or 3 bedroom unit, as long as the standards are met.

Cmmr. Haigh asked if tenants are allowed pets. Mr. Morrell responded that pets are not allowed; however, service animals are allowed.

Cmmr. Haigh also asked if smoking is acceptable at any of the units. Mr. Morrell stated that there is no smoking allowed within the common areas or the units.

Cmmr. Haigh wanted to find out if MCHA could participate locally with a similar program that the HA in Pierce County area is doing. She explained that the HA went to a local elementary school, found 50 families and were able to give vouchers specifically to those families that have kids in the school. The families had to make a commitment: 1) Their kids will stay in the school; 2) Parents will attend a parenting class, and 3) Join a PTA. Due to the commitment, the kids success rate is unbelievable. She understood not every HA could do this; however, she wanted to find out if it is something the local community could be involved in.

Patti Sells referred her to speak with Michael Marra about this type of program that would fall under BHA Section 8 housing program. Mr. Marra in the past was an attorney for legal aid and is very good.

Mr. Morrell stated he has documents for the Coves for RD approval of the management plan that the chairperson signature is needed.

Kneeland Park – There are 8 vacancies. Two units are ready to go that they are working with. They have the tenants through compliance. The other units they are piecing together as best they can. They have a deficiency of funds and they are working on getting a couple of the units ready so they can get a little more revenue.

They are working with their maintenance specialist to see how they can get a patch on the roof to get those two units filled. This would enable them to proceed to work on getting a bridge loan to get the property back up and filled. They need more funds to finish the rest of the units, which is mostly appliances (refrigerators and ranges).

Chair Wallace stated this is an example of a property that was built by private owners and the owner and management team were the same. The bank pulled the loan on the tax credit. In order to save the property, the HA stepped in to control the project. They have gone through the whole conversion of 15 years. The tax credits are used on the first 10 years. Investors buy the tax credits to give money to the property which buys down the debt. As far as the state is concerned, compliance on that property is 40 years. As far as the MCHA assets are concerned, it is 15 years for the compliance.

Cmmr. Newton asked about the volunteer work. Mr. Morrell stated they are working to get a crew to come on a weekend on a pro bono basis to tackle anything that is left in the units, other than stripping out the carpet which needs replaced and the appliances. If they find an appliance that they can refurbish it themselves (possibly replacement of an element). Cmmr. Newton asked if there is a reason they have not tried to reach out to the community for volunteers.

Mr. Morrell responded they have no contacts. Cmmr. Newton's suggested Cascade's property manager contact Habitat for Humanity and talk with their program manager. Habitat has partnered with folks in the community, like the senior center.

Pine Garden - 1 vacant unit.

Cmmr. Music asked what the cost might be on the appliances. Mr. Morrell would have to look that figure up.

Chair Wallace stated they have approximately \$120,000 of deferred maintenance in Kneeland Park. They are currently working with the Washington State Finance Commission to see how to proceed with the project. At one time it was suggested to bulldoze the project and sell the land. They are looking at other options, as this does nothing for affordable housing.

Cmmr. Monroe asked about the status of the USDA-RD letter regarding the late certification on the Coves. Mr. Morrell stated they began the process of submitting the first documents in September. They have had some issues which they have been working on over several months with Rural Development (RD). He is working with Becky Southworth. It has been approved and he will obtain the chairperson's signature today and deliver the documents to the Rural Development office in Olympia tomorrow. They are also appealing the charges to see if they can get them taken back to October, due to the fact the original documentation was submitted on time.

Chair Wallace stated it normally takes 90 days to change management. The RD charges are not against the property, they are against the management's fee. The

management team has to pay the penalties. The properties cannot be responsible for the penalties.

8. DEVELOPMENT: None

9. UNFINISHED BUSINESS:

- 9.1** Pine Garden Apartments/HUD 1/22/2015 Meeting: Chair Wallace referred to the meeting agenda with HUD representative Mary Ellen Casarez that he, Mr. Morrell and Ben Wickham attended in Seattle. Mary Ellen questioned a number of the reports. Mr. Morrell is responsible to respond with answers or clarifications as needed. Mary Ellen thought the Board should have an internal auditor in addition to that of the portfolio manager. Chair Wallace does not disagree with her; however, the fact is that since there is no paid staff at the HA and no funds at this time, it makes it difficult to pull that together. Some of the questions concerning the CPA annual report they are currently working on. Mary Ellen was concerned with the REAC (Real Estate Assessment Center) Inspection as it scored below 70. Mr. Morrell stated they did a rent comparable study (RCS) and that information has been sent to Mary Ellen, other than the utility allowance which they are working with the folks at the site. He will be gathering all the signatures to go to PUD to get the information for the utility allowance adjustment. They are required to have each tenant sign a document. That should be submitted next week to HUD.
- 9.2** Pine Garden Apartments Rent Comparison Study: Chair Wallace stated the rent comparison study (RCS) was a requirement that they did not have the money to pay the expenses. This study held up the rents; however, Mary Ellen, was kind to allow this study to be paid out of the replacement reserve fund. Now the RCS has been done. A portion of the study requires a utility allowance where they are required to track a resident for 12 months by bedroom size. This will show the fluctuation and total of expenditures the residents gets reimbursed for their utilities. This is based on a formula. Mr. Morrell has just about completed that. That will take rents back to April 1, 2014 and will give the project an additional \$9,000 approx. This means a more positive cash flow for the property.
- 9.3** Pine Garden Apartments Loan Modification: Chair Wallace stated they are being authorized for a loan modification, which is a loan reinstate. The current federal loan is currently at 6.5%. They are talking about lowering it down to 4%. The terms will remain the same. However, it costs around \$15,000 up front, which they do not have. Some of the dollars they have deferred. They have been able to get the vendors to defer, but the legal staff want cash up front, which is approximately \$7,000. The loan modification will also bring additional cash flow to the property, by reducing the debt service (actual interest rate). Mr. Morrell noted the money from the rent change they could use to assist in paying for the lawyers on board to continue with the loan modification. Over a period of time, they could look at the amount.

10. NEW BUSINESS:

- 10.1** The Association of Washington Housing Authorities will be meeting in Olympia on Thursday, February 5, 2015. Cmmr. Haigh is planning on attending. Chair Wallace stated he was a former president and treasurer of the organization. Commissioner participation on the AWHHA has recently been allowed, whereas when he joined the HA as a commissioner in 2006, he was told he could no longer attend the AWHHA as

it was for executive directors only. In a recent conversation, with Kurt Weist, who is the outgoing president, they talked that the Association was established for the betterment of subsidized housing. With change in personnel on the AWHHA, they are now allowing HA commissioner participation.

10.2 Commissioner Haigh stated she met with Kurt Wiest, BHA Exec. Dir. and Stuart Grogan, Kitsap HA Exec. Dir. who mentioned that MCHA has an outstanding debt to the BHA in the amount of \$170,000. She questioned if MCHA has given consideration to this outstanding debt in the budget. Chair Wallace stated he did not anticipate this will be paid. He noted his history goes back to when he was Exec. Dir. of BHA, MCHA and Jefferson County Housing Authority. The Commissioners of Bremerton in 2005 had a hostile takeover of the Housing Authority. They wanted to go a different direction and Mr. Wallace subsequently left BHA in December 2005. For approximately the following six months BHA charged \$3,000 (plus other charges) to attend each MCHA meeting in Shelton, accumulating \$165,000 in expenses. He has over 32 years with the HA. The BHA holds the paper of \$100,000 plus interest on Pine Garden when it was refinanced many years ago. Bremerton wanted out in 2009 and the MCHA was required to sign a document that reflects an outstanding accounts payable to BHA. BHA record reflects an outstanding accounts receivable from MCHA.

11. FUTURE MEETINGS: Wednesday, March 4, 2015

12. ADJOURNMENT:

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

Becky Rogers

Executive Secretary

Chair

SEAL:

