

VERMONT STATE HOUSING AUTHORITY
PUBLIC HEARING and REGULAR & ANNUAL MEETING MINUTES
September 30, 2015

PUBLIC HEARING

• **ROLL CALL**

The Board of Commissioners commenced a Public Hearing at 11:15 a.m. and the following Commissioners were present: Vice Chair Mary Miller; Cory Richardson; Robert Lees; and Linda Ryan. Chair Caprice Hover, Jo Ann Troiano, and Caryn Feinberg were absent.

Miller inquired as to whether there were any members of the public present for the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) hearing. It was noted that there was no public participation.

Staff personnel present: Richard Williams, Secretary/Executive Director; Kathleen Berk, Director of Housing Program Administration; Kelly Pembroke, Director of Finance and Information Systems; Arlene Shorten-Goodrich, Director of Human Resources and Administration; Susan Kuegel, Director of Property and Asset Management; Krister Adams, Housing Development Specialist; and Jim Gallagher, Office Services Coordinator.

Also in attendance were:

- Andrew Danforth, Director, New England Resident Owned Communities (NEROC) Program, Cooperative Development Institute from Northampton, MA
- Keith Roberts, Esq., Primmer

• **COMMENTS AND DISCUSSION: VSHA'S INTENT TO ISSUE VSHA REVENUE BONDS FOR FARRINGTON'S MOBILE HOME PARK PROJECT**

Roberts began the discussion on the financing issue as it regards to Farrington's Mobile Home Park in Burlington. This financing would be in the form of a bond issued by VSHA, the proceeds of which would be lent to Cooperative Development Institute (CDI), who will be directly or indirectly the owner/operator of the park. The primary advantage of financing using this structure is to achieve a tax-exempt rate.

One of the requirements of financing in this manner is to hold a TEFRA hearing. This allows the public to become aware of potential tax-exempt financing of this type.

A Resolution was passed at the July 15, 2015 VSHA Board of Commissioners' meeting which authorized further exploring the bond financing now under discussion.

Williams noted that this type of revenue bond issuance is allowable under VSHA's statute. We have been working with CDI for nearly six months on various finance options for Farrington's. The park was put up for sale following the passing of the park's owner, who stipulated in their will that the park was to be sold.

Danforth provided an overview of CDI's history and function.

The low rate of the municipal bond financing is what will make this deal possible for the residents of the park. Following the park's purchase, the lot rents in the park will go up from \$358 per month to \$385. The median lot rent in Chittenden County is \$370 per month.

It was originally considered that a 2-acre parcel of the Farrington property would be sold to another non-profit, Champlain Housing Trust, on which would be developed low-income housing. The residents ultimately decided against this option, as that parcel is important to their community.

Instead, the City of Burlington has proposed providing \$100,000 over three years through their housing trust fund. This will help subsidize the community while CDI replaces seven abandoned homes in the park. The reason those abandoned homes are there is because there were issues surrounding tax abatement and a housing replacement ordinance; those issues have been worked out with the City through an exemption in the zoning for mobile home parks.

The City of Burlington has also pledged a minimum of \$300,000 towards infrastructure issues at the park. All of the water and sewer lines in the park will have to be replaced within the next ten years. CDI will pursue financing from the Clean Water State Revolving Loan Fund (CWSRF), the Drinking Water State Revolving Fund (DWSRF), and the Vermont Housing and Conservation Board for these necessary upgrades.

The proposals that CDI has from the banks cover 85% of the park's purchase price. CDI has applied for and been approved for an additional \$835,000 from Vermont Community Loan Fund. That note will be at 5%, 30-year amortization with a five-year balloon.

CDI typically finances a cooperative and acts as the technical service provider, with the cooperative taking ownership of the land. For this deal, in order to get the financing at this low rate, the borrowing has to be done by a 501(c)(3), meaning that the residents can't be the direct owners. CDI has an inactive 501(c)(3) available to use for this deal. That 501(c)(3) will own the park and lease it on a net basis to the residents, as well as provide technical assistance. When the mortgage on the park is paid off, the park ownership will transfer to the residents.

Williams noted that VSHA will be marking up the bond revenue by 50 basis points, or half of a percentage point. This will be a non-recourse loan, so if there is ever a foreclosure, the bank will be going after the assets.

- **CLOSE PUBLIC HEARING**

At 11:30 a.m. Ryan moved to close the Public Hearing, Lees seconded; All voted in favor. Miller closed the Public Hearing.

BOARD MEETING

1. ROLL CALL

The Regular and Annual Meeting of the Board of Commissioners of the Vermont State Housing Authority was called to order at 11:30 a.m. and the following Commissioners were present: Vice Chair Mary Miller; Cory Richardson; Robert Lees; and Linda Ryan. Chair Caprice Hover, Jo Ann Troiano, and Caryn Feinberg were absent.

Staff personnel present: Richard Williams, Secretary/Executive Director; Kathleen Berk, Director of Housing Program Administration; Kelly Pembroke, Director of Finance and Information Systems; Arlene Shorten-Goodrich, Director of Human Resources and Administration; Susan Kuegel, Director of Property and Asset Management; Krister Adams, Housing Development Specialist; and Jim Gallagher, Office Services Coordinator.

2. MEETING AGENDA

There were no additions to the Agenda, however, the Board decided to start with Agenda Item #7.

3. PUBLIC PARTICIPATION

There was no public participation.

The Board skipped to Agenda item #7.

7. FARRINGTON MOBILE HOME PARK TAX EXEMPT FINANCING – FINANCIAL INSTITUTION SELECTION

Williams distributed loan term sheets which include loan proposals from TD Bank and Northfield Savings Bank. Richardson noted that he was heavily involved with putting together the structure and rate for Northfield Savings Bank proposal.

Danforth summarized the two proposals detailed on the term sheets.

Both banks offered a total of \$3,145,000 worth of financing, which is 85% of the appraised value. An analysis that CDI put together of the two financing proposals is detailed below.

Item	TD Bank	Northfield Savings Bank
Loan Amount/LTV	2 loans Tranche A: \$ 2,592,500 Tranche B: 552,500 Total: \$ 3,145,000 Total 85% LTV	\$3,145,000 Total 85% LTV
Rate/Term (Including 50 bps to VSHA)	Tranche A: choice of: 7 yr. Balloon/25yr. Amort @ 2.81% 10 yr. Balloon/25 yr. Amort @ 3.04% 15 yr. Balloon/25 yr. Amort @ 3.23% Tranche B: 5 yr. Balloon/10 Yr. Amort @ 2.48%	10 Year ARM / 30 yr. Amort @ 3.39% Reset at year 10 and year 20 to 68% of sum of Federal Home Loan Bank (FHLB) advance rate plus 1.40 with a 2.50% per change cap and a 3.25% floor
Total P&I Payment Monthly	7 yr. Balloon/25yr. Amort: \$17,242.65 10 yr. Balloon/25 yr. Amort: \$17,551.32 15 yr. Balloon/25 yr. Amort: \$17,809.69	\$13,930.05
Prepayment Penalty	Yield Maintenance fee based upon equivalent maturity treasury securities, Minimum of 1% per year remaining OR 5/4/3/2/1 with price adjustment up to 30bps	None
Analysis:	Better rates Tranche B balloons in 5 year-forces refinance	30 Year Amort for entire loan results in significantly lower payments (total \$13,930.05 vs 10 year TD at \$17,551.32) Rate change at 10 and 20 years can be better than balloon. No Prepayment Penalty allows refinance

Williams agreed with CDI’s conclusion that the Northfield Savings Bank proposal is the better of the two.

Ryan moved to accept the revenue bond financing proposal from Northfield Savings Bank for the Farrington’s Mobile Home Park purchase; Lees seconded. Miller inquired as to further discussion; there being none a vote was taken from which Richardson abstained. All others voted in favor and the motion passed.

The following Resolution was presented to the Board for consideration:

**RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE
VERMONT STATE HOUSING AUTHORITY**

WHEREAS, by resolution adopted by the Board of Commissioners of the Vermont State Housing Authority (VSHA) on July 15, 2015, VSHA participation in the acquisition of the so-called Farrington's Mobile Home Park in the City of Burlington was approved; and

WHEREAS, pursuant to said resolution, VSHA is assisting Cooperative Development Institute, Inc., and its subsidiary CDI Development Fund, Inc., (CDI) in acquiring Farrington's Mobile Home Park; and

WHEREAS, in order to implement said resolution and assist CDI in its acquisition initiative, VSHA has requested financing proposals from various commercial banks; and

WHEREAS, the Board has received and has considered financing proposals from Northfield Savings Bank and TD Bank, N. A., copies of which are appended hereto as Exhibits A and B, respectively.

NOW, THEREFORE, BE IT RESOLVED THAT:

- (1) The financing proposal of _____ is hereby accepted.
- (2) The VSHA Executive Director is authorized and directed to execute formal acceptance of such proposal, with such changes and amendments as may be recommended by counsel and management.
- (3) Management is directed to prepare such documents, and to take such actions, as are necessary or appropriate to implement the terms of the Board's July 15, 2015 resolution and the financing proposal herein accepted.
- (4) The VSHA Executive Director, with the advice of counsel, is authorized and directed to execute, acknowledge, deliver and receive on behalf of VSHA such documents, and take such actions, as may be necessary or appropriate to effectuate these presents, such execution and delivery to be conclusive evidence of authorization and approval thereof by VSHA.

The Board discussed removing Item #1 in the Resolution and renumbering items 2, 3, and 4 accordingly.

Lees moved to accept the above Resolution as modified to exclude Item #1; Ryan seconded. Miller inquired as to further discussion; there being none a vote was taken. All others voted in favor and the motion passed.

The Board recessed for lunch at 12:10 p.m. and returned to session at 12:35 p.m.

Danforth and Roberts left the meeting.

The Board return to Agenda item #6.

6. SECRETARY'S REPORT – AUGUST/SEPTEMBER 2015

Williams began his update. There is a deal in Washington, D.C. that will provide a clean Continuing Resolution to December 11th. Speaker of the House John Boehner announced that he is resigning as Speaker at the end of October. This will cause some shuffling of positions as someone new moves into the position.

VSHA won't be affected by the Continuing Resolution since we are funded on a calendar year basis for the Section 8 Housing Choice Voucher program, so our funding levels are set through December 31, 2015.

The Republican leaders in Congress wanted to meet with the Obama Administration to structure a two-year budget deal. The Obama Administration has said that The President will veto any bill that comes through Congress that doesn't raise the cap on Sequestration.

Vermont relies heavily on funding from the federal HOME Investment Partnership program for the development of affordable housing. The HOME program is administered in Vermont by the Vermont Housing and Conservation Board. The budget passed this summer by the U.S. House of Representatives zeroed out that funding.

Miller asked for a motion to approve the Secretary's Report. The motion was made by Richardson and seconded by Lees. Miller inquired as to further discussion; there being none a vote was taken. All others voted in favor and the motion passed.

The Board returned to Agenda item #5.

5. MINUTES – PUBLIC HEARING / REGULAR MEETING, JULY 15, 2015

Miller inquired as to discussion, corrections, or omissions. Ryan moved to approve the Minutes of the Public Hearing and Regular Meeting of July 15, 2015 and Richardson seconded. Miller inquired as to further discussion, there being none a vote was taken. All others voted in favor and the motion passed.

The Board returned to Agenda item #4.

4. ELECTION OF OFFICERS

Miller relinquished the Chair to Williams to conduct nominations for the annual election of officers.

Williams opened up the meeting to nominations.

Ryan suggested implementing term limits for VSHA officers. This would require a change to VSHA By-Laws. This recommendation will be discussed at the November 18th VSHA Board meeting.

Richardson nominated the current slate of officers: Caprice Hover as Board Chair, Mary Miller as Vice Chair, and Richard Williams as Secretary. Williams inquired if there were further nominations to the positions and there being none, nominations were closed. Williams cast one vote. All voted in favor and the motion passed.

Williams returned the Chair to Miller.

8. FINANCIAL REPORT THROUGH AUGUST 31, 2015

Pembroke presented the Financial Report through August 31, 2015.

Pembroke offered to provide the Board with a Balance Sheet at each Board meeting. This would be in addition to the Statement of Revenue and Expenditures the Board already receives at each meeting and would provide important additional detail. For example, of the \$943,810 gain indicated on the August financial report, \$300,000 was a loan transaction where the money came in and went right back out. The Statement of Revenue and Expenditures doesn't show that detail, but a Balance Sheet would.

There was consensus among the Board that receiving a Balance Sheet would be helpful. Pembroke will pull together a suggested content/format for that Balance Sheet and distribute it in advance of the November Board meeting.

The budget was revised in July. We are meeting most of the goals set forth by that revised budget.

Management fees are over budget. However, as of today we are redoing the management fees for the USDA Rural Development projects to bill back for the vacancies, so that number will drop.

The Benefits line item is also over budget. However, we pay medical insurance up front, so there won't be a payment in September, resulting in that line item more closely balancing at fiscal year-end.

By the end of September, we will be right on target to meet the revised budget.

Miller asked for a motion to approve the Financial Report through August 31, 2015 as presented. The motion was made by Richardson and seconded by Ryan. Miller inquired as to further discussion; there being none a vote was taken. All others voted in favor and the motion passed.

9. FISCAL YEAR 2016 BUDGET

Pembroke presented the Fiscal Year 2016 Budget. The Salaries and Employee Benefits line items are the largest line items on the budget. Williams noted that the salary increases are consistent with the union contract negotiations, and that non-union management and staff get the same percentage increases.

These increases go into effect with the October 27th payroll, the first full pay period in October. We have had some turnover of staff, so the overall percentage increase over last year for salaries is around 2%, which is a bit less than the union contract.

Employee Benefits are going up significantly in 2016. There is going to be a \$110,000 increase over last year. We are estimating a 12% increase in health insurance costs, which will account for \$98,000 of the \$110,000 budgeted increase noted.

Williams suggested that previous year's budget figures be included on future budget proposals as a basis of comparison.

Our current proration rate for collecting Administrative Fees is approximately 79%. The 2016 budget has that proration rate at 75%. Historically, we have seen this rate set at between 69% and 79%.

Looking into 2017, HUD is proposing some new admin fee calculations. If HUD funds VSHA at 100%, there will be no change to our administrative fees. However, if they fund us at 79% of what we're making now, it would be a decrease in administrative fees of around \$400,000. And while this could be covered by reserves, it would be preferable to have revenues match expenditures and save the reserves for emergency situations.

Richardson inquired as to what VSHA pays VHFA for. Back in the 1980's, there was a particular type of bond that VHFA was issuing on which they weren't able to earn any fees, so the two agencies decided to split the administrative fees.

Williams indicated that VSHA's Property and Asset Management division brings management fees into the agency for those properties managed for The Housing Foundation, Inc. (HFI). If HFI were to staff up and/or choose another property management company, those fees would end, as would the work associated with that property management.

Williams noted that small, incremental changes made by USDA Rural Development to the fees we receive could be an issue in the future. For example, in the past we had received an administrative fee as well as travel reimbursement for site managers traveling between properties. USDA RD has indicated that the travel reimbursement needs to come out of the administrative fee.

Miller asked for a motion to approve the Fiscal Year 2016 Budget as presented. The motion was made by Ryan and seconded by Lees. Miller inquired as to further discussion; there being none a vote was taken. All others voted in favor and the motion passed.

Insurance Premiums

We recently met with our insurance agent at Denis Ricker and Brown Insurance (part of Hickok and Boardman Insurance Group) to review and renew our insurance. We pay approximately \$500,000 per year on insurance. Each year our policies increase by 4%. We have an \$86 million blanket policy for all of our properties. We also have guaranteed replacement costs.

An additional policy being proposed is computer fraud and funds transfer fraud coverage. If personal information is hacked from VSHA's computer systems, we could be liable for providing credit monitoring services for each individual affected; this could be very expensive considering the size of our client base and number of employees. We are adding this \$1 million in coverage for an additional \$276 per year.

10. CHECK SIGNATORIES

The VSHA By-Laws require that two signatures are necessary to sign for orders and checks over \$2,500. There was a brief discussion about the need to identify Commissioners who would sign these orders and checks when the designated staff members aren't available.

Ryan made a motion to appoint Richardson and Miller as VSHA check signatories in the event two staff individuals are unavailable; Lees seconded. Miller inquired as to further discussion; there being none a vote was taken. All others voted in favor and the motion passed.

11. FISCAL YEAR 2016 – BRIGHTWOOD HOUSE BUDGET

Brightwood House is a small, elderly, USDA Rural Development property located in South Royalton. This is the only property that VSHA owns.

USDA Rural Development has approved the budget that is being presented to the Board today, which goes into effect on October 1st.

The projected gain goes from \$100 in FY 2015 to \$345 in FY 2016.

Miller asked for a motion to approve the Fiscal Year 2016 Brightwood House Budget as presented. The motion was made by Richardson and seconded by Lees. Miller inquired as to further discussion; there being none a vote was taken. All others voted in favor and the motion passed.

Miller inquired as to why Capital Improvements is going up quite a bit. Kuegel noted that a decision was made to stop carpeting units and go with plain flooring.

Ryan left the meeting at 1:20 p.m.

12. DISCUSSION – VSHA HEALTH CARE PLANS

VSHA's Collective Bargaining agreement dictates what health plans can be offered to employees. There is a provision in the contract that notes that if VSHA is required to go into the Vermont Health Care Exchange, then negotiations will need to be held to work through those details. Effective in 2016, groups with over 51 employees are supposed to go into the Health Care Exchange.

In preparation for health care in 2016, we did a lot of research on options available to groups of our size, including self-insured. Shorten-Goodrich provided an overview of the various options that were reviewed.

The VSHA Bargaining team will be meeting with the Staff Federation on Friday, October 2nd to discuss health care options for 2016.

13. HOUSING PROGRAM ADMINISTRATION

Berk began the Housing Program Administration update.

Proposed Fair Market rents

HUD published proposed Fair Market Rents (FMRs) in the Federal Register on September 9th. A copy of those proposed FMRs were included in the packets for today's Board meeting. If finalized, they would go into effect in October.

Last year, VSHA did a rent survey in three Vermont counties – Bennington, Windham, and Windsor. That survey had a positive impact on the FMRs for those counties, as there continue to be FMR increases in those areas.

The concern about the proposed FMRs is specific to the Burlington metropolitan statistical area (MSA), which includes Chittenden, Franklin, and Grand Isle counties. There is a proposed reduction of nearly 13% in that area. VSHA has a significant number of voucher holders in the Burlington MSA.

For the voucher program, the FMRs specify the rents that can be paid when folks are issued a voucher from our waiting list and are seeking housing. Voucher holders will have a difficult if not impossible time securing a rental unit in such a tight rental market with the new FMRs.

The FMRs also specify the amount of subsidy we can provide for existing program participants. The proposed reduction gets cost shifted, meaning that the subsidy the participant is receiving gets reduced and the participant is responsible for that additional amount. Berk noted that existing participants are held harmless for their first 12 months against increases that result from FMR decreases, and, depending on the timing of the increases, could be held harmless for up to two years.

Berk had a conference call last week with ICF International, which is the firm VSHA used to do the rent survey in southern Vermont last year. We were hoping to get some understanding of the rationale behind the proposed FMR decreases for Burlington MSA, but ICF is as perplexed as we are. ICF recommended that we reach out to HUD's chief economist to see if there was an error.

HUD performed a rent survey in the Burlington MSA three years ago, resulting in dramatic increases in FMRs, which is why the new FMR proposals are so surprising.

After reaching out to HUD, we were told that the current FMR proposal is not an error. HUD's methodology for determining FMRs has changed. They rely on the American Community Survey (ACS) data. In addition, it appears that rent surveys are only good for three years. So since it has been three years since the HUD-performed Burlington MSA rent survey, HUD is now reverting back to the ACS data to determine FMRs.

Berk is investigating with ICF the cost of conducting a rent survey in the Burlington MSA. Williams noted that the cost of doing the rent survey last year in Bennington, Windham, and Windsor counties was around \$60,000. Berk expects to have a quote from ICF soon.

There are three housing authorities that operate in Burlington – VSHA, Burlington Housing Authority, and Winooski Housing Authority. Williams has been in discussions with Paul Dettman of the Burlington Housing Authority (BHA) regarding this issue, since it is clearly a concern to BHA as well.

Williams also noted that there will be coordinated comments on HUD's FMR proposal.

Agenda Items 14 and 15 were deferred.

The Board skipped to Agenda item #16.

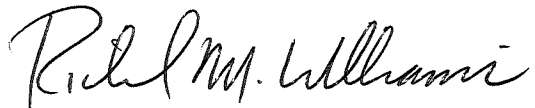
16. OTHER BUSINESS

- Meeting Schedule: Approval of meeting changes for July and November, 2016

The 2016 VSHA Board Meeting schedule was provided to the Board.

At 1:45 p.m., there being no other business, Miller adjourned the meeting.

Respectfully Submitted,



Richard M. Williams
Executive Director/Secretary

