

VERMONT STATE HOUSING AUTHORITY  
REGULAR MEETING MINUTES  
January 27, 2016

BOARD MEETING

1. ROLL CALL

The Regular Meeting of the Board of Commissioners of the Vermont State Housing Authority was called to order at 11:00 a.m. and the following Commissioners were present: Chair Caprice Hover, Vice Chair Mary Miller; Cory Richardson; Caryn Feinberg; and Jo Ann Troiano. Robert Lees was absent. Linda Ryan was expected.

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

An update on VSHA's retirement funds with Billings and Company was added to Agenda Item #13, 'Other Business'.

3. PUBLIC PARTICIPATION

There was no public participation.

4. MINUTES – REGULAR MEETING – NOVEMBER 18, 2015

Hover inquired as to discussion, corrections, or omissions. Miller moved to approve the Minutes of the Regular Meeting of November 18, 2015 and Feinberg seconded. Hover inquired as to further discussion, there being none a vote was taken. All others voted in favor and the motion passed.

5. SECRETARY'S REPORT – DECEMBER 2015 / JANUARY 2016

Williams began his update.

In his recent budget address, Governor Shumlin indicated that he is, "directing his Administration to develop a plan to ensure that 15 percent of taxpayer-funded housing in Vermont is dedicated to homeless families and those with special needs." Troiano noted that the term 'special needs' will need to be clarified, since that could include a wide variety of populations. As for the use of the term 'homeless' in the Governor's address, Williams noted that they are referring to the HUD definition of the word.

Troiano also inquired as to whether the 15 percent noted in the Governor's address was to be applied to existing taxpayer-funded housing stock or just to new taxpayer-funded housing.

The annual Point-in-Time homeless count is taking place right now. The results of that count should be coming out sometime in March.

The Budget Adjustment Act (BAA) was voted on yesterday by the House and passed. The BAA includes \$1.6 million in additional funds for motel vouchers.

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

## 6. FINANCIAL REPORT THROUGH DECEMBER 31, 2015

Pembroke presented the Financial Report through December 31, 2015.

We had projected to be around \$80,000 in the black by this point; we are currently \$112,000 in the black.

In the 'Other Income' line item, we had received a little more income than what was projected. Specifically, Section 8 Inspections came in higher than what was budgeted, as did Fraud Recovery.

The Salary line item is running under budget. We have a vacant position for which we had budgeted that hasn't been filled yet. Also, we have an Accountant position that was budgeted for full-time but we have filled that with a part-time person. And the position of Assistant Director of Finance and Information Systems was fully funded for the year but hasn't been filled since Pembroke moved into the Director role.

The Balance Sheet that was distributed to the Board covers only the General Fund.

Hover suggested adding a column that would show the percentage of budget fluctuation.

Greg Sargent of Kittell, Branagan and Sargent (KBS) joined the meeting at 11:25 a.m.

Pembroke went over some of the Balance Sheet's line items, providing descriptions of what is included in some of the categories.

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

## 7. APPROVAL OF THE FY 2015 AUDIT, PRESENTED BY GREG SARGENT, KITTELL, BRANAGAN AND SARGENT (KBS)

Gregg Sargent of Kittell Branagan & Sargent (KBS) presented information on the auditing process KBS undertakes at VSHA.

The opinions that KBS gave from this year's audit is a clean, unqualified opinion. There were no audit adjustments. This is a credit to the diligence and hard work of Pembroke and her Accounting staff.

A big part of the auditing process focusses on compliance, particularly with HUD programs. The two programs that KBS focused on this year were the Section 8 Housing Choice Voucher program (\$24 million) and the Continuum of Care program (\$1.6 million).

A conversation followed on steps that organizations can take to protect themselves.

Troiano moved to approve the 2015 audit as presented; Richardson seconded. Hover inquired as to further discussion; there being none a vote was taken. All others voted in favor and the motion passed.

Sargent left the meeting at 11:45 a.m.

## 8. UPDATE - HOUSING PROGRAM ADMINISTRATION

Berk began the Housing Program Administration update.

### HUD Fair Market Rents (FMR)

The new HUD FMRs were published at the end of December. We have since updated the fair market rents and published new payment standards with an effective date of February 1<sup>st</sup>. The payment standards are used to determine subsidy in the Section 8 program. The update to the payment standards was done in concert with local housing authorities throughout the state.

### Rent Survey

We have commissioned a new rent survey. This one is for the Burlington/South Burlington FMR area. Funding for the survey is coming from a variety of the larger housing organizations in the state. Pre-notification letters went out to renters this week. ICF International, the company conducting the rent survey, expects to be done with the survey by April.

The need for a rent survey in the Burlington/South Burlington area was prompted by the decrease in fair market rent figures issued by HUD. For example, the 1-bedroom fair market rent in that area was reduced by more than \$100 per month. This is not indicative of what we see in that rental market.

### Vermont Rental Subsidy (VRS) Program Transitional Housing Preference

The VRS Transitional Housing preference was approved by the Board a couple of years ago. Since its implementation, there have been some difficulties associated with administering the preference.

In some cases, Vermont Rental Subsidy participants are transitioning from VRS to a Section 8 Housing Choice Voucher (HCV) within 30 to 60 days of receiving Vermont rental subsidy. Berk indicated that although we have been consulting with Nicole Mosher at the Vermont Department for Children and Families (DCF) before considering VRS participants for a preference, the language in VSHA's preference policy doesn't currently specify a waiting period, so some VRS participants have been transitioning much more quickly to a Section 8 HCV than originally intended.

The program was originally promoted as a twelve-month program. At the end of twelve months, participants would be eligible for a transitional housing preference, provided that they are connected to case management, they are current in their rent, and are in compliance with their lease. However, since participants are transitioning through to the Section 8 HCV program so quickly, many don't have case management services in place, they are behind in their rent so landlords don't want to lease them up under the Section 8 program, etc.

This quick transition from VRS to the Section 8 HCV is also creating large numbers of rental inspections for the VSHA field staff. While this brings in additional revenue for the agency, it is putting a strain on the workload of these VSHA employees. Plus, landlords are getting upset with the process since leases are put in place only to be replaced a short while later with a new lease.

There were some recent conference calls with the team administering this program for the state, including Nicole Mosher and Sean Brown of DCF. Angus Chaney of the Vermont Agency of Human Services was also involved in some of these discussions. The result of these conversations was agreement that the original intent was that participants stay on the VRS for twelve months. Then, if eligible, those participants could transition to a Section 8 HCV.

Berk is proposing that the Board agree to clarify VSHA's policy on this preference, since mention of a waiting period didn't make it into the original policy language. This new language would include a specified delay before VRS participants can apply to transition to the Section 8 HCV program. Berk believes that a nine-month delay provides enough time for VSHA to receive the application, get the VRS participant on the Section 8 HCV waiting list, verify the application, confirm that the applicant is a tenant in good standing, and then transition them to a Section 8 HCV at the end of the twelfth month, if eligible. Sean Brown is advocating for a six-month delay.

A discussion followed on the preference's original intent, as well as the length of the delay period that should be implemented into policy. Ryan believes that a six-month delay would be more appropriate than a nine-month delay. Ryan also indicated that some VRS participants have gotten extensions to stay on that program, while others transitioned to a Section 8 HCV before their VRS application was even processed.

Troiano moved to add language to VSHA's current policy that would specify a nine-month waiting period before Vermont Rental Subsidy participants could apply for a Section 8 Housing Choice Voucher through VSHA's existing Transitional Housing preference; Richardson seconded. Hover inquired as to further discussion; there being none a vote was taken. Troiano, Feinberg, Richardson, Miller, and Hover voted Aye, while Ryan voted Nay; the motion passed.

The Board broke for lunch at 12:30 p.m. and returned to session at 12:45 p.m.

Berk continued the Housing Program Administration update.

### **Homeless Families with Case Management Support Preference**

Following discussion on this preference at the November 2015 VSHA Board meeting, VSHA's Section 8 waiting list was opened to begin receiving applications for this preference category. To date, we have issued nine vouchers qualifying for this preference; four of those families have leased. In addition, we currently have 54 applicants on the waiting list who qualify for this preference, 19 of whom have already been determined eligible.

Referrals for this preference are coming in from various organizations across the state.

### **Performance-Based Contract Administration**

A few years ago, VSHA submitted a rebid application to HUD for performance-based contract administration. VSHA was one of eleven states that were awarded contracts. However, HUD was unable to award contracts to the other states since the award process ended up in the courts. The Supreme Court has now ruled that HUD can't issue grants, since contract administration is a procurement contract.

VSHA currently has an extension to its HUD contract. HUD has the authority to extend our contract administration through the procurement process. However, since this will be considered a procurement, everyone will be able to compete for the contract. HUD plans on having the procurement solicitation out sometime in the next three months, with awards going out for January 1, 2017.

The solicitation will be announced by HUD on a Fedbiz journal website, which we will be monitoring daily so we are ready to respond once it comes out.

VSHA had worked with the Vermont Legislature a couple of years ago to make changes to our enabling legislation to make it clear that the State of Vermont wants this contract administration work to be done by an in-state public housing authority and/or a housing finance agency. However, if HUD's solicitation is structured such that the contract administration is to be done regionally for multiple states, it would be unfair to organizations like VSHA since VSHA's enabling legislation doesn't allow us to work in states other than Vermont.

The Board skipped to Agenda Item #11.

## **11. AUTHORIZATION FOR NETWORK ADMINISTRATOR (NEW POSITION)**

There is a need for a full-time network administrator at VSHA. The money that had previously been used to pay for information technology consulting will be used to pay for this new position.

Troiano made a motion to approve the creation of a new VSHA position of Network Administrator; Ryan seconded. Hover inquired as to further discussion; there being none a vote was taken. All others voted in favor and the motion passed.

## 12. HFI-UPDATE/STRATEGIC PLAN

Williams began a discussion on the Memorandum of Understanding (MOU) between VSHA and The Housing Foundation, Inc. (HFI).

HFI is in the process of hiring an Executive Director. An offer has been made, but the contract has not yet been signed. It's expected that the contract will be finalized on Friday, January 29<sup>th</sup>. This will be HFI's first employee.

HFI was originally created as the development arm of VSHA as well as to access certain types of funding which VSHA was unable to access at that time. Over the years, HFI and VSHA have become distinct and separate from one another, partly because of the requirements imposed by HUD relating to perceived conflicts of interest.

HFI wants to expand the size of its Board of Directors from 6 to 10 members, including Williams as a non-voting member in his role as Secretary/Treasurer. The additional Board members will help increase the skill set and experience of the Board as HFI pursues future opportunities. Depending on what direction HFI chooses, it could have an impact on the staff of VSHA. HFI recently went through a strategic planning process. The resulting strategic plan was included in the Board packets for today's meeting.

HFI has a MOU with VSHA to perform HFI's work. That MOU is currently on a month-to-month basis. Williams would like to change that to a three-year MOU so VSHA has a good idea of what its funding and revenue sources will be well in advance. It's expected that HFI's Board President, Alison Bell, will attend an upcoming VSHA Board meeting along with HFI's new Executive Director to discuss some of HFI's expectations and plans for the future.

At 1:05 p.m. Troiano moved to enter Executive Session to discuss issues related to upcoming negotiations pertaining to VSHA's agreement with the Vermont State Housing Authority Staff Federation of the Vermont State Employees Association under the provisions of Title 1, Section 313(a)(1) of the Vermont Statutes in that premature public knowledge of the content of such discussions would clearly put VSHA at a substantial disadvantage; Miller seconded. Hover inquired as to further discussion; there being none a vote was taken. All others voted in favor and the motion passed.

Adams left the meeting at 1:05 p.m.

At 1:15 p.m. Troiano moved to exit Executive Session; Ryan seconded. All voted in favor. No action was taken during Executive Session.

There was Board consensus authorizing Williams to negotiate updated MOU terms between HFI and VSHA. Williams will bring a draft proposal to the Board at the March 23<sup>rd</sup> VSHA Board meeting.

Hover left the meeting at 1:15 p.m.

The Board returned to Agenda Item #9.

Adams returned to the meeting at 1:15 p.m.

## 9. UPDATE - PROPERTY AND ASSET MANAGEMENT

Kuegel presented the Property and Asset Management update.

### USDA Rural Development Budgets - Mileage Reimbursement

We are currently operating without approved 2016 operating budgets for USDA Rural Development (USDA RD) limited partnership properties. USDA RD recently began questioning the way we charge mileage for our front line staff. Front line staff includes site managers, site specialists, and property superintendents.

We are charging mileage the way we have always done, but USDA RD's interpretation of the regulation changed last fall. They now claim that VSHA must cover the costs of this type of mileage reimbursement using management fees instead of the operating budgets. This amounts to around \$8,000 per year.

USDA RD is now holding up the approval of FY2016 budgets until this is resolved. VSHA could submit an informal appeal, restating our position on the mileage issue. USDA RD could then formally reject the FY2016 budgets due to this disagreement.

#### **USDA Loan Product for VerMods (super-efficient modular homes)**

VerMods are modular homes shaped like a mobile home and fit on a mobile home lot, but they are built to be much more energy efficient than a mobile home. USDA RD has a pilot funding program to use with these homes. Kuegel is trying to determine whether this USDA RD funding could be used on VerMods going into HFI-owned mobile home parks that VSHA manages. Kuegel will also be consulting with the HFI Board of Directors on this issue.

### **10. UPDATE - DEVELOPMENT**

#### **Hollister Hill Development**

Williams began a discussion on the redevelopment of Hollister Hill Apartments in Marshfield.

Several decades ago, HFI and VSHA had issued bonds to finance mobile home parks and some multi-family properties. Hollister Hill Apartments is part of Bond #3. Hollister Hill Apartments was built in the early 1970s and was acquired by HFI in 1986.

This property has a variety of very expensive problems, from ADA compliance issues to deteriorating sub-slab sewer lines to poor energy efficiency. Rather than sinking millions of dollars into repairs, it would make more sense to do a complete demolition of the property and redevelop it.

VSHA is planning on pre-paying the bond on this property (\$339,000), which will transfer ownership from HFI to VSHA. There is a pre-payment penalty of \$79,000. The property will then be completely redeveloped from the ground up. VSHA will then continue to own and manage the property.

An application is being submitted to Vermont Housing Finance Agency for 9% low-income housing tax credits. This will start the process of acquiring funding from the various funding sources. VSHA will likely also seek funding from Vermont Housing and Conservation Board and the Federal Home Loan Bank of Boston.

#### **USDA Rural Development (USDA RD) Multi-Family Housing Revitalization Demonstration Program (MPR)**

Adams continued the Development update. An MPR application was submitted for three of the properties that VSHA manages. Funding through the MPR program would help modernize and improve energy efficiency at these properties.

- Fairgrounds Apartments, Moretown
- Colonial Manor Apartments, Morrisville
- Dogwood I Apartments, Northfield

Adams noted that we are going to get approved for funding through the MPR program. We are working with an architect and other planners to start construction sometime this spring.

### 13. OTHER BUSINESS

#### Billings and Company Update

Shorten-Goodrich provided an update on the VSHA retirement funds still held by Billings and Company. Those funds were originally held by Life Associates but were transferred to Billings and Company following Life Associates' bankruptcy proceedings.

The IRS has now approved the resolution process for releasing funds from Billings and Company. We should know what that process is in the next few weeks.

There is a small shortfall in the funds. However, the extent of that shortfall isn't yet known.

When Principal, the investment company that used to manage the funds for Life Associates, went from mutual to stock, there was some policy equity that should have gone to the participants. The former owner of Life Associates, Richard Zachmann, took that money and believes it is his to keep. Lawyers representing the various housing authorities are willing to fight for those funds (possibly around \$250,000), but they want some seed money to pursue that claim. Williams and Shorten-Goodrich will determine whether the total amount of that policy equity is worth pursuing, how many housing authorities would need to share that amount, and how much seed money the lawyer needs.

At 1:35 p.m., there being no other business, Feinberg motioned to adjourn, motion seconded by Ryan and all voted in favor.

The Chair declared the meeting adjourned.

Respectfully Submitted,



Richard M. Williams  
Executive Director/Secretary

