

VERMONT STATE HOUSING AUTHORITY
REGULAR MEETING MINUTES
January 24, 2018

1. ROLL CALL

The Regular Meeting of the Board of Commissioners of the Vermont State Housing Authority was called to order at 11:05 a.m. by Chair Caprice Hover. Upon roll call, the following Commissioners were present: Mary Miller, Vice Chair; Cory Richardson; Jo Ann Troiano; Caryn Feinberg; and Linda Ryan participated via phone. Robert Lees was 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; Krister Adams, Housing Development Specialist; and Laura Macieira, Office Services Coordinator.

Gregg Sargent of Kittell Branagan & Sargent (KBS) was also present.

2. MEETING AGENDA

Williams added four items on the agenda:

- The need to review the VSHA's policy on HAP payments because of the possibility of a government shutdown due to approval of FY 2018 budget.
- The reopening of the Section 8 waiting list for the Project-Based Voucher (PBV) program.
- Hiring of a part-time position to work on homelessness policies.
- Update on the Retirement Plan and the bankruptcy situation regarding the previous administrators of the pension plan.

3. PUBLIC PARTICIPATION

There was one public participant, Chair of the Vermont State Housing Authority Staff Federation of the Vermont State Employees Association, Nathan Schmechel.

4. MINUTES – REGULAR MEETING – NOVEMBER 15, 2017

Troiano moved to approve the Minutes of the Regular Meeting of November 15, 2017 and Miller seconded. Hover inquired as to further discussion, there being none a vote was taken. All voted in favor and the motion passed.

5. SECRETARY'S REPORT – DECEMBER 2017 / JANUARY 2018

Williams presented updates to his Secretary's Report.

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

6. APPROVAL OF THE FY 2017 AUDIT, PRESENTED BY GREG SARGENT, KITTELL, BRANAGAN AND SARGENT (KBS)

Gregg Sargent of Kittell Branagan & Sargent (KBS) presented the FY 2017 audit and the information on the auditing process KBS undertakes at VSHA.

The opinion 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.

Sargent described various components of the audit, including internal controls. He mentioned there are no findings in terms of how the controls relate to compliance. The controls that are in place are evaluated very often by Pembroke and her team and during the audit process are reviewed in more detail.

Pembroke prepared the Analysis of Financial Position of the Management Discussion and Analysis. This is a good description of VSHA's condition and it allows to compare previous year's performances.

Sargent made the following highlights on the budget:

- HUD revenues have an increase from \$56 million to \$58 million and accordingly the HAP payments increased, so it evens out.
- The decrease on management fees is due to the decrease on the voucher program.
- In the FY 2017 reporting, the HOPWA grant was income included in the grant income line, instead of being included in the other income line.
- A footnote was added regarding the Hollister Hill transaction and it did not get registered on an in and out transaction because the transaction was a requirement of the bond.

Sargent held a conversation around cyber safety issues and how it is imperative that organizations and their IT's departments stay on top of this. He also gave an update on the future of the accounting industry and its higher performance on audits with the help of artificial intelligence.

Richardson moved to approve the FY 2017 audit as presented; Miller seconded. Hover inquired as to further discussion; there being none a vote was taken. All voted in favor and the motion passed.

9. HFI / VSHA INTERRELATIONSHIPS PRESENTATION

Williams began the presentation by explaining how HFI was created and the evolution of its relationship with VSHA. In 2023 the mobile home parks (MHP) owned by HFI will be transferred to VSHA as the Tax Exempt Promissory Notes retire. The bonds require that when the notes retire, the parks move to VSHA ownership. Further, VSHA is not permitted to make a determination prior 2023 on whether it

will retain ownership or transfer the parks back to HFI. VSHA can however, signal its intention with a non-binding resolution.

Once the MHP's are transferred, VSHA can own them, can manage them or can decide to turn the parks onto cooperatives. VSHA will receive the parks with no cash or reserves, since the bonds require that these stay with HFI. Williams added that VSHA would need to refinance the MHP in order to do capital improvements.

Pembroke presented the chart distributed on the board packets regarding what the impact of bond payoffs are to HFI. In terms of staffing, HFI takes about half the time of some of VSHA's employees and for FY 2017, VSHA covered \$74,451 for HFI staffing costs. For FY 2017, the approximate loss to VSHA to manage HFI annually is \$467,170.

Miller inquired about the meaning of the VHCB money mentioned in the chart. Williams answered that the VSHA is not eligible to apply for VHCB grants due to being a semi-governmental entity. In the past, this factor was one of the main reasons of creating HFI as a non-profit that would be able to access available grants. Williams added that all the covenants of the MHP's go off the property when they are transferred back to VSHA. In 2023 all the VHCB covenants will be clear and that won't be an issue. However, if VSHA decides to keep the parks, VHCB will want those covenants back on the properties. In case VSHA decides to transfer or sell the parks to HFI, the covenants will automatically come back onto the properties.

Williams suggested that a subcommittee be formed so conversations with HFI can start in order to have an idea of the direction that both organizations might take in the near future. Hover and Richardson volunteered to serve on the subcommittee. Williams added that the committees won't be making any final decisions.

At 12:10 p.m. Greg Sargent left the meeting and the Board recessed for lunch.

The Board returned to session at 12:30 p.m.

7. FINANCIAL REPORT THROUGH DECEMBER 31ST, 2017

Pembroke presented the Financial Report.

VSHA submitted the information required for the ReAct in November 29, 2017 and we are waiting for the final approval within the next few weeks.

The FY 2018 financials are three months in and the major updates are:

- The administrative fee line, that has been on for the past couple reports, shows that we are currently over-budget. We budgeted this item at 74% proration fee for Section 8 management fees and received 77%.
- The management fee line has an increase per the approval for the properties after the budget was done.
- The salary line item is currently under budget because of a management position that has been open since August 2017 and because two months out of the year there are three payrolls, which will hit in January and this will start to even out.
- The assistance payments and earned contributions lines are showing an increase because there was an increase of 53 units a month leased.

Richardson moved to approve the Financial Report as presented; Troiano seconded. Hover inquired as to further discussion. There being none, a vote was taken. All voted in favor and the motion passed.

Williams brought up the need to review the policy for HAP payments in the light of a federal shutdown. Most of VSHA's contract administration payments go directly to banks and these come directly from HUD so there are no reserves. For the voucher program, the approximate cost is about \$2.6 million per month that is paid to landlords and there is a one month valid of reserve for this program that can be used. The Mod Rehab program can sustain itself for about one year. The PBCA program is an in and out program so there are no reserves that could sustain it.

Williams inquired if the Board would agree to use reserves from other programs in order to fund the ones that don't have reserves. The Board consented that this should be done for the Housing Choice Voucher Program so the landlords can get paid.

8. PROPERTY & ASSET MANAGEMENT

- **Brightwood House, South Royalton Budget**

Miller moved to approve the Brightwood House budget as presented in the Board packets; Feinberg seconded. Hover inquired as to further discussion. There being none, a vote was taken. All voted in favor and the motion passed.

As part of the change to today's Agenda, Williams mentioned VSHA is to hire a part-time, limited term position of one to two years. The funding of this position will come by adjusting other expenses on the HFI development side and also on the reduction of the HFI Executive Director time. This position will be coordinating policies around housing for homelessness and managing the services required in order to implement Governor Shumlin's policy of 15% of units be set aside for homeless people.

10. HOUSING PROGRAM ADMINISTRATION

- **Program Updates**

Berk gave an update on the waiting list for the Housing Choice Voucher program. A public notice will be required if VSHA opens the waiting list for that program. Berk proposes to open the waiting list effective March 1st, 2018, for folks that would qualify for disaster preference and for transitional housing preference.

Through the Nan Mc Cay review, Berk learned that the waiting list for the Project Based Voucher program needs to be opened and kept open at all times. The public notice will also let folks know that VSHA will be opening its waiting list for the voucher portfolio program.

At 12:55 p.m. Hover left the meeting and Miller took the Board Chair.

- **Performance-Based Contract Administrator (PBCA) Program**

Berk mentioned that the draft solicitations that have been a theme of discussion among the Board during the previous meetings were published in early December 2017 for the contract administration work. The tasks were divided into two buckets with a regional contract and a national contract. Comments are due by January 31st, 2018 and VSHA and its regional partners have the intent to present a response.

While attending a conference in Washington DC, Berk met Dana Irving, who works for House Appropriations at HUD and has been in contact with her since then. Berk has been giving Irving explanations on the contract administration programs and a five page letter was sent to Irving that was signed by VSHA and contra parts of five other states, explaining how the program operates. Berk mentions on the letter that there is a willingness to negotiate with HUD in terms of bringing the operating costs down.

Williams also sent the letter to Senator Leahy and Sanders and to Representative Peter Welch so they are aware of it.

Williams introduced the following Resolution:

VERMONT STATE HOUSING AUTHORITY

RESOLUTION

WHEREAS, pursuant to a Resolution of May 24, 2017 authorizing the Executive Director to enter into a limited liability company (“LLC”) operating agreement with other members of HUD’s northeast region at such time and on additional terms as he deems necessary or convenient to best position the Authority to continue to administer project-based Section 8 funds for the State; and

WHEREAS, pursuant to a subsequent Resolution of November 15, 2017 authorizing the Executive Director to enter into a consortium and/or any other form of collective entity

authorized by Federal and State statute with other States in HUD's Northeast Region in lieu of or in addition to the LLC Operating Agreement at such time and on such terms as he deems necessary or convenient to best position the Authority to continue to administer project-based Section 8 funds for the State; and

WHEREAS, the Resolution of November 15, 2017 authorized the Executive Director to contribute and/or lend funds of the Authority for the purpose of assisting in the creation and/or furthering the operations of such consortium, LLC, or other entity; provided, however, that the aggregate amount of all funds contributed and or otherwise committed hereunder and pursuant to the LLC Resolution shall not exceed \$25,000.00, except upon further authorization; and

WHEREAS, participation in the collective entity has decreased requiring an increase in costs by remaining participants in the collective entity now projected to be approximately \$70,000.00; and

WHEREAS, to continue this initiative and not lose our competitive advantage, the Executive Director solicited consent authorization via correspondence with each Commissioner to expend an amount not to exceed \$70,000.00; and

WHEREAS, each Commissioner has responded in writing in the affirmative to expend these funds,

NOW THEREFORE, it is hereby RESOLVED, that the Vermont State Housing Authority Board of Commissioners retroactively authorizes the affirmative written consent by each board member allowing the Executive Director expend up to \$70,000.00.

Troiano motioned the resolution 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.

Berk gave an update on the Project Based Vouchers (PBV) solicitation that went out in August 2017 and all the new units are being brought under contract. Williams shared with the Board a flyer on one of the projects that are in this program, the Memory Care at Allen Brook by Cathedral Square. He also

mentioned the French Block in downtown Montpelier, where there will be five units under this specific program.

11. DEVELOPMENT UPDATES

Adams provided the update.

Lauredon Apartments, Greensboro

Since this project was originally funded by a USDA Rural Development (RD) grant, Adams is currently working with USDA RD as a funding source in order to repair the infiltration and damages in the basement of the property with an approximate cost of \$500,000.

Hollister Hill Apartments, Marshfield

The re-construction of this project is approximately 60% complete and the full completion is planned for June 2018. Adams is expecting tenants to move to the completed building, which has 16 units, in mid-February 2018.

Colonial Manor Apartments, Morrisville

The rehabilitation of this project is complete.

Fairgrounds Apartments, Moretown

The rehabilitation on this project is expected to be completed on February 1st, 2018. Once the weather warms up, landscaping and site work is also planned.

Dogwood I Apartments, Northfield

We are in the final design, planning and permitting phase. We plan to bid this project in early February and commence construction between April and May 2018.

Hilltop Townhouse, Berlin

The construction of a handicap accessible laundry room at D building is planned to be completed by mid-February 2018.

Hillcrest Views Apartments, St. Albans

We are performing work to the heating system and the project should be complete by the end of the month.

8. OTHER BUSINESS

- VSHA 50 years of service

Williams mentioned that on March 23, 2018, VSHA will complete 50 years of service. He is working with the governor's office to get an executive proclamation. Miller and Williams are also working on getting a joint resolution to be passed by, through the Vermont Legislature, acknowledging the accomplishments of the agency. Williams would like to take the staff and the Board over to the Legislature to be recognized and he is also planning on sponsoring a cafeteria event.

Williams informed the Board about some of the Board members term dates. Feinberg, Richardson and Lees terms are all up at the end of February 2018. Williams is looking for recommendations for Lees chair since he does not want to continue on the Board when his term expires. Feinberg and Richardson agreed to continue their terms.

Shorten-Goodrich gave an update on the Retirement Plan and the bankruptcy situation regarding the previous administrators of the pension plan. VSHA was able to recuperate a fee revenue with Mass Mutual. With the Board approval, everyone who suffered from the bankruptcy was compensated for the losses. In the beginning of January 2018, the 401 plan was credited with approximately \$86,000 and the 457 plan was credited with almost \$10,000, which comes to a total of \$105,000 that was deposited back

to participants. VSHA's retirement plan stands at for the 401 plan, \$7,800,000 and for the 457 plan, \$1 million.

There being no other business, Troiano made a motion at 1:30 p.m. to adjourn the meeting, seconded by Feinberg and all voted in favor.

Respectfully Submitted,

Richard M. Williams
Executive Director/Secretary

DRAFT