MINUTES
BROWN COUNTY HOUSING AUTHORITY
Monday, January 21, 2013, 2:30 p.m. (Note change in time)
City Hall, 100 N. Jefferson Street, Room 604
Green Bay, WI 54301

MEMBERS PRESENT: Tom Diedrick–Chair, Rich Aicher–Vice-Chair, Ann Hartman, Sup. Andy Nicholson

MEMBERS ABSENT: None

OTHERS PRESENT: Dan Kroetz, Dan O'Connell, Robyn Hallet, Ben Fauske, DonElla Payne, Pat Leifker, Dawn DeWitt, Matt Roberts, Dan Process

APPROVAL OF MINUTES:

1. Approval of the minutes from the special January 7, 2013, meeting of the Brown County Housing Authority

   A motion was made by Sup. A. Nicholson and seconded by R. Aicher to approve the minutes from January 7, 2013, with the correction that Darlene Hallet was not at the meeting. Motion carried.

COMMUNICATIONS:
None

T. Diedrick asked R. Hallet to make introductions. She introduced Ben Fauske as the Executive Director of the non-profit side of ICS, and Pat Leifker as the new Program Lead for the HCV Program. She then went on to explain that ICS has made some adjustments in their organizational structure and that D. Payne will be focusing more on the FSS and Leaving Homelessness Behind programs. She added that while P. Leifker will be the new Program Lead, D. Payne would still be available as a resource and will continue to attend BCHA meetings.

T. Diedrick proposed a modification to the agenda because Sup. A. Nicholson has to leave the meeting early. The changed agenda will move Item #2 to the end and skip to Item #3, followed by Items #6, #5, and #7 in that order.

A motion was made by Sup. A. Nicholson and seconded by A. Hartman to modify the order of the agenda. Motion carried.

OLD BUSINESS:

3. Discussion and possible action regarding Cardinal Capital Management, Inc.'s request for special exception to Project-Based Voucher subsidy standards

   R. Hallet stated that D. O'Connell and D. Kroetz from Cardinal Capital were present at the meeting. She also added that the closed session language was included on the agenda in case it was necessary to go into closed session, which she left at their discretion. They responded that it would not be necessary.

   T. Diedrick invited them to present on the issue at hand.

D. O'Connell spoke to the special exception to the subsidy standards. He stated that the issue is Cardinal Capital's request to operate on a 120% FMR subsidy standard rate instead of the standard 110%. He then went on to explain how WHEDA's tax credit process works. It is a very competitive process in order to be funded in the supported housing category, and they generally do not fund more than two projects in a given year in this particular category. He does not suspect that this year would be any different. He also stated that the maximum amount of credits that may be received is $850,000 for one year. Those credits are then sold to investors in order to raise the equity to build the project. In this particular situation, Cardinal Capital would be the investor, and the property would be owned by the non-profit and the investor. After a 15-year period, the non-profit would be able to purchase the property from the investor for a price that has already been set. While Cardinal Capital would not be the owner, they would be required to provide the guarantees and be the managing member responsible to the investor.

He added that there are certain things that are fundamental in this transaction. For instance, it is required by the program that a 7% vacancy level be used, even if it can be proven that it operates on a 99% economic occupancy level. Also, WHEDA sets an interest rate that must be used; in this case, it is a 6.6% interest rate that WHEDA requires. Though he believes they could get a better interest rate than that, the permanent loan will not be put in place for over 2 years, so it is anyone's guess where interest rates will be. Cardinal Capital runs different scenarios internally at different interest rates and how much that may save moving forward. For example, last year they were able to do fixed interest loans at 5.25% fixed for 15 years. If, for instance, they did a loan at 5.5%, they may be able to get an additional $90,000 in debt covered. If at 6%, it would be about $45,000 covered. He then addressed the 110% FMR rent level. The pricing at the equity is $0.89; the market is expected to change and prices are expected to go down. Cardinal Capital suspects that they will be able to sell at the $0.89 price. If, however, they were not able to get that price, every cent decrease results in an equity loss of about $85,000. There are a lot of unknowns in the process, but they examine the scenarios thoroughly. He stated that they are the leading tax credit developers in the State of Wisconsin. He explained that in this scenario, there is a gap of about $725,000. That gap could be laid off against the developer's fee, and up to 50% of the developer's fee could be deferred. Based upon these assumptions, there would still be a gap of about $400,000. He stated that the best way for them to cover the gap is an increase in rent, and that a subsidy standard of 120% of FMR would have a tremendously positive impact on the project. He added that he is confident in the construction costs; the only cost adjustment that needs to be made is the land acquisition from $300,000 to $400,000 based upon the amount of land that the county would like them to purchase.

He clarified that there are certain ways to address this, including grant application, but that is a very competitive approach and is difficult to get. He explained that when submitting a project like this, it is underwritten by WHEDA and has to be economically feasible. They will consider the plan to cover the aforementioned gap. Looking at the 120% scenario, they think they would be able to get the gap down. Much of the costs involved are formula driven. He then added that he would run through some of the costs, but noting that the program has its own standards, and again, many of the costs are formula driven. Financing fees are based upon 1% of permanent debt, tax credit fees are formula driven by WHEDA, and the reserves are estimates required by the investor member based on the equity and debt. There is a tremendous amount of requirements that go into creating a project such as this that make up the professional fees, including fees for architects, engineers, environmental impact study, permits, initial survey, and survey after the project is completed, accounting bills, and legal fees.

D. O'Connell added that he believes this will be a competitive process. As requested previously by the BCHA, they plan on increasing the fully handicapped accessible units to 20% of the units or about 10 units. After speaking with the construction company, they agreed that increasing this number is feasible and will be added to the overall project.

Prior to opening his presentation up for questions, D. O'Connell explained the 1.5 debt coverage ratio by saying that by formula when submitting the application, it is necessary to demonstrate a positive cash flow for the project for 15 years. There is also the requirement to increase expenses by 3% annually while only increasing revenue by 2% annually. This results in a decrease in the positive cash flow each year. The subsidy standard applied, either 110% or 120%, would change what the debt coverage ratio is. He then opened the presentation up for questions, noting that all questions are legitimate and he's happy to explain anything.

R. Aicher asked about having success with the 110 rate in the past. D. O'Connell responded that it has, but the difference with a supportive housing project is that there is a great deal more involved in terms of construction, including creating more common spaces. Consequently, the per unit space cost is higher. He noted that the last two new construction projects had federal PCAP, a special funding mechanism to help bridge the gap in the form of a soft loan. In other areas where new construction projects have operated at the 110%, the base rent is much higher, which also helped to bridge the gap. He added that the decrease in the fair market rent values impacts the viability of the project.

T. Diedrick expressed concern about using the 120% and the impact on the number of individuals that could be served. D. O'Connell responded that he has experience working with the Green Bay Housing Allowance and helped set up the voucher program for the State of Wisconsin. For all but two months, operation rates are between 89% and 93%. The impact on other tenants may be nominal or none at all based on historical utilization rates. The allocation of funds may not be impacted at all from using the 120% subsidy rate. He also added that he did not know if the BCHA was maximizing the fees on voucher utilization – that they may be able to get more from fees.

D. DeWitt commented that the reason that they are underutilized is due to the tenant protection vouchers issued at Cardinal Capital's other projects in Green Bay.

R. Hallet then explained that, as demonstrated on a chart included in the meeting's packet, operating at the 120% for this project, seven fewer clients would be served based on current HAP payments. She also stated that adding this exception could potentially set a precedent in which other property owners request the same rate. She did point out, however, that this concern could be offset by the explanation that the exception was only permitted for the project because of the special needs provided for the veterans, and that the BCHA would not be willing to consider the exception for other properties.

T. Diedrick then asked R. Aicher about a possible situation in which the project starts out at the 120% and then after a certain amount of time reverts back to the 110%. He responded that the rationale behind that suggestion was based on the possibility of the necessity of the 120% value being due to construction costs, when it's clear now that the reason is because of the rent levels. He then expressed the possibility that perhaps given some time, the

120% level may no longer be necessary for 15 years. D. O'Connell responded that that was a very good point. He added that typically the investor will require a certain threshold to be met for 5 years, meeting certain benchmarks. Usually after that point, when they calculate the performance, they calculate using the way it was underwritten. After they get past a certain point, they are likely to ease off some restrictions, which could potentially allow for a different underwriting and could then stabilize the rents, allowing the payment standard to catch up to the higher rent that it started with. He concluded that yes, down the road, the payment standard could be adjusted.

R. Aicher stated his concern over precedent setting and that it might be difficult to not make the same exception for another owner in the future without placing a stipulation that it should be reassessed in the future. D. O'Connell then suggested that something like that could be placed in the administrative plan and would not have an impact on the application for tax credits.

T. Diedrick then asked about the timeline and if they needed action by the BCHA at this meeting. D. O'Connell said that they would appreciate action as the application to WHEDA is due February 1, 2013. R. Hallet then inquired as to whether or not this needs to be determined prior to the application submission. D. O'Connell said that it would be much easier to submit the application with this included in order to address feasibility.

Sup. A. Nicholson then asked for clarification that they need the 120%, and D. O'Connell responded that they did.

R. Hallet asked about the timeline. She stated that it was her understanding that if changed to 120%, it would need to go to the HUD Milwaukee office for approval, and that HUD headquarters may have to approve it as well. If this is the case, she asked if those approvals would be needed prior to the applications. D. O'Connell responded that both approvals from HUD Milwaukee and HUD headquarters are necessary but not prior to the application submission. The local housing authority's approval is substantial enough to follow through with the WHEDA application and is considered to be a viable documentation to let them underwrite the feasibility. He added that WHEDA will allow certain things as acceptable as prospective, including prospective appraisals. WHEDA allows certain assumptions to be made. He added that he is very confident that the HUD Milwaukee office and regional office will approve the 120%, with similar confidence that HUD headquarters will also approve the rate.

A motion was made by Sup. A. Nicholson and seconded by A. Hartman to grant Cardinal Capital the 120% FMR special exception to Project-Based Voucher subsidy standards. R. Aicher then suggested the Board wanted to include a stipulation that allowed for a potential future roll-back to the 110% rate. He also asked if there had been discussions with Bank Mutual, his employer, regarding financing; D. O'Connell responded that there had not. A. Nicholson then asked what sort of timeframe R. Aicher had in mind when reexamining the subsidy standards. The conclusion was a 5-year timeframe. D. O'Connell responded that 5 years would be the most likely opportunity to act on the rent subsidy. The rent subsidy will be reevaluated at the 5-year anniversary. Motion carried.

D. O'Connell thanked the BCHA for their cooperation, for moving the item up in the agenda, and for allowing him to speak on behalf of Cardinal Capital.

NEW BUSINESS:

6. Discussion and possible approval of BCHA's Housing Choice Voucher Program RFP for publication

   T. Diedrick stated that the subcommittee has had some discussion with staff and had a drafted timetable for the RFP. As discussions progressed, it became evident that the initial timetable was not feasible and would thus need to be altered. Additionally, ICS has made some organizational changes, which more clearly distinguish their non-profit and for-profit sides, which have been positive changes. A potential action, after meeting with the subcommittee and with B. Fauske, would be to hold off on conducting an RFP. One option is, instead of going through with the RFP, to work with the subcommittee and ICS on a potential contract extension with some revisions. R. Aicher added that if this doesn't work, an RFP would be an appropriate avenue. But they are optimistic that an agreement for a contract extension could be made. T. Diedrick then added that ICS is in agreement with prospective content contributions to the RFP.

   R. Hallet then distributed some of the expectations of ICS in writing. B. Fauske added that he had met with both R. Hallet and R. Strong, and the general discussion regarded working towards a solution and further solidifying details in the next 30 days.

   T. Diedrick then stated that the initial plan was to approve an RFP at this meeting. Due to the discussions that will be taking place between the BCHA and ICS, it is the recommendation that this item be tabled and taken up at the February 18, 2013, meeting, determining whether to follow through with an RFP or a contract extension.

   R. Aicher was careful to note that the language of "contract extension" may be too simplistic because new elements would need to be incorporated in either a totally revised contract or in the form of an addendum as an extension of the existing contract. B. Fauske stated that, prior to involving the attorneys, they would discern what success looks like.

   Sup. A. Nicholson then clarified that this item will return to the Commissioners for further action; the decision at this point is to table the item for 30 days.

5. Discussion and possible action on funding for FSS positions during HUD FSS Reprocessing

   T. Diedrick reminded everyone that at the last meeting, HUD sent a letter stating that they had made errors regarding funding for FSS positions and needed to reconsider their awards for FSS positions. R. Hallet stated that, though they had not yet heard back from HUD regarding this, ICS does employ FSS Coordinators that need to be paid. She added that before Matt Schampers left, they discussed this issue, and their thought was that there are sufficient funds in the FSS reserve funds, i.e. funds that may only be used for FSS, to continue to pay ICS for those salaries. There are in fact sufficient funds to continue such payments for 1½ years if necessary. The BCHA currently pays ICS $11,288 per month for their FSS Coordinators. The thought is to continue to pay out of the reserves, being hopeful that HUD would continue to award the three FSS Coordinator positions that had previously been awarded. If they keep the same award, it is believed that HUD would then back-pay for the positions, thus replenishing the reserve fund to the level it is at currently. She added that the alternative is the FSS program would face serious struggles if BCHA did not continue to pay ICS for the FSS Coordinators.

T. Diedrick suggested authorizing this for three months and then revisiting the issue with the hopes that HUD will have made their decision. Sup. A. Nicholson asked R. Hallet for clarification on what FSS is; she responded it is the Family Self-Sufficiency Program which is the optional program that HCV program participants may choose to join. The FSS program helps clients achieve self-sufficiency by meeting with their Coordinator on a regular basis, usually monthly, to discuss the family's goals to increase self-sufficiency which often includes addressing educational issues, employment plans, and personal issues to get the family back on track.

R. Aicher added that this program has historically been viewed as a very positive aspect of the program because it aims to get people off of assistance. He added that there have been a significant number of success stories. D. Payne then added that there have been 105 graduates from the program and that HUD no longer makes the program mandatory for ICS to administer because ICS has met the expectation of graduating a sufficient number of clients.

A. Hartman asked if all 105 graduates have remained self-sufficient since their graduation. D. Payne responded that she does not have information to know this. A. Hartman then asked if she thought that the program had long-term and lasting impacts. D. Payne responded that once or twice she has noticed clients that become in need of assistance again after graduation, but that the majority of clients are able to remain self-sufficient.

A motion was made by R. Aicher and seconded by A. Hartman to approve the funding of the FSS Coordinators' positions out of the FSS Reserve fund and then reviewing with possible change after three months. Motion carried.

7. Review and possible approval of the preliminary BCHA budget for the 2013 calendar year, including review of investments

R. Hallet stated that the budget is in the packet followed by a summary of the budget that was put together by Matt Schampers even after his resignation. The summary highlights the most significant changes in the budget from last year to the current year. The first item is HAP Income which is based on formula. The change is a 4% decrease and largely out of control of the BCHA. The next item is Administrative Fee Income, which has a change of a 4% increase. This number is based on lease up.

There is an anticipated decrease in fraud recovery. This decrease is due to a significant amount of fraud recovery money that came in as a result of the tax intercepts in 2011. Once that money was intercepted, a lot of the fraud repayments had been paid off completely. As a result, there is not as much money coming in for fraud recovery. Additionally, ICS has made a significant effort to proactively stop fraud from occurring among program participants, resulting in fewer fraud cases that are being prosecuted. T. Diedrick added that fraud recovery has been a very positive aspect of the HCV program.

Legal fees have also risen largely because of John Heugel's services on the HCV transition project. Continued high fees are anticipated in 2013 as the RFP and/or transition process is worked through.

Staff training has also increased due to the resignation of the accountant; the new accountant will have to attend training specific to the program. R. Aicher asked where the training takes place. R. Hallet responded that Casterline was the training recommended by the previous accountant as they specialize in HCV financial components. D. DeWitt added that there are several agencies that provide this type of training including Casterline and NanMcKay, and they take place all over the United States.

The next budget item is the audit, and based on the contract with Schenck, the cost in 2013 would increase. The Contract Costs – Administration has increased as a function of the above-listed administrative revenue. There is a decrease in Contract Costs – IT and Blackbaud because the BCHA no longer needs to pay to maintain the old software, Fundware, since upgrading to Housing Pro and QuickBooks. Contract Costs – Consultant decreased because in 2012 the BCHA budgeted for a consultant to assist in developing a transition plan. They did not budget for consulting services in 2013, assuming those services would not be needed.

Housing Assistance Payments have increased by 7% based on the amount of units anticipated to have leased up in 2013. It is higher because of the higher lease up in 2013 and the continuation of the lease up in 2013.

R. Hallet added that all of the aforementioned budget items come from Fund 52, the HCV program fund. The final item discussed comes from a different funding source, Fund 53, the Homeowner Assistance and Down Payment/Closing Cost Assistance program, anticipating a decrease of 4%. One grant was paid off in 2012, but it is impossible to anticipate how many grants will be paid off each year.

T. Diedrick stated that the summary gives a good description of the budget.

A motion was made by Sup. A. Nicholson and seconded by R. Aicher to approve the preliminary BCHA budget for the 2013 calendar year. Motion carried.

Sup. A. Nicholson left the meeting at 3:23 p.m.

4. Discussion and possible action on request by ICS for use of joint reserves for Port Out fees and personnel to complete scanning of tenant file information

   R. Hallet stated that a portion of this item, the discussion regarding Port Out fees, would be tabled. She would still like to discuss personnel for scanning and turned the discussion over to D. DeWitt.

   D. DeWitt stated that when the switch was made to Housing Pro, they also got the iDIA scanning software thinking that staff could do the current scanning, as well as scanning in existing records from 3 years prior, which is the timeframe HUD requires to be retained. This thought did not necessarily include the appropriate time required for this, and productivity decreased. Realizing that the current staff could not do the current scanning and scanning from 3 years prior, they brought in a limited term temporary person for 40 hours a week with no benefits. She was able to complete just over 500 of the 3,100 active files. Essentially, because it is not typical for ICS to budget a project-based item in their budget, she is asking for just under $21,000 to bring this person back to continue doing the remainder of the files.

   T. Diedrick inquired as to where the funds would come from. R. Hallet responded that they would come from the joint reserves. D. DeWitt then added that the reason this is being brought up is that in 2012 they were under-spent with the administration funding. As of

December 31, 2012, they are no longer utilizing that funding without permission from the Authority. R. Aicher asked how long it would take to move forward to finish the rest of the files; D. DeWitt responded that the position pays $10 per hour, and the temporary employee was able to completely scan 530 files from October 29, 2012, to December 28, 2012. Using those numbers, D. DeWitt was able to average 14 files per day, requiring an additional 40 weeks to complete all 3,200 files. When initially discussing this with R. Hallet, she added that she would prefer to hire the temporary employee on for the rest of the year. The payment option of a monthly reimbursement from the BCHA to ICS is a possible option. D. DeWitt also clarified that once the project is finished, the position no longer needs to exist. R. Hallet suggested evaluating progress after 90 days. M. Roberts then added that it is difficult to gauge the timeframe because the unit of measurement being used is a file, and the files are in differing degrees of thickness. The 40-week estimate is approximate and could be longer or shorter. R. Hallet expressed concern that perhaps this specific employee may not be available to return to the work, and thus there would be some training time involved for a different employee. D. Payne responded that the previous person was trained in less than a week. D. DeWitt summarized by explaining that the paperless files are much more efficient.

A motion was made by R. Aicher and seconded by A. Hartman to approve the monthly reimbursement with a 90-day update on the project status. Motion carried.

REPORTS:

2. Report on Housing Choice Voucher Rental Assistance Program
   A. Preliminary Applications
      P. Leifker reported that there were 77 preliminary applications for December 2012.

   B. Unit Count
      P. Leifker reported that the unit count for December 2012 was 3,057.

   C. Housing Assistance Payments Expenses
      P. Leifker stated that the HAP expense for December 2012 was $1,218,270.

   D. Housing Quality Standard Inspection Compliance, including summary of deficiencies
      M. Roberts stated that there were 328 inspections for December 2012. He reported that 246 passed their initial inspection, 16 passed their reevaluation inspection, and 66 failed their inspection. He added that there is a considerable spike between November 2012 and December 2012 in initial pass rating, and that is directly related to the quality control inspections needed for SEMAP requirements, which were completed in December. The likelihood in initial passes is high with quality control inspections. A. Hartman then asked for clarification as to why some are not passing inspections. M. Roberts clarified that reasons for a failed inspection range from a missing smoke detector to a missing back step. He also added that in instances of significant fails, ICS provides the landlord with a copy of Chapter 8 from the Administrative Plan in an effort to work through it. R. Hallet responded that Sup. A. Nicholson requested more detailed information on why units fail. T. Diedrick then requested holding off on going into detail on the failures until Sup. A. Nicholson is present. M. Roberts stated that he had put together reasons for fails from November and December 2012 detailing the reasons for failure. T. Diedrick requested that the failure item list be brought to a future meeting for discussion.

E. Program Activity/52681B (administrative costs, portability activity, SEMAP)
D. DeWitt reported that the ICS administrative costs were under-spent by the amount of $168,591, and the FSS program was under-spent by $19,339. She also reported that there were 294 port-outs with a cost association of $233,507 and that there were 19 port-ins in December 2012. She reported that HAP utilization percent was at 95.60%.

F. Family Self-Sufficiency Program (client count, escrow accounts, graduates, new contracts, homeownership)
D. Payne reported that there were 96 FSS clients with 33 depositing into their escrow (savings) accounts, one FSS graduate, 4 new FSS contracts, and 75 homeowners in December 2012.

G. VASH Reports (active VASH, new VASH)
D. Payne reported that there were 19 active VASH vouchers for December 2012, one of which was new.

H. Langan Investigations Criminal Background Screening and Fraud Investigations
P. Leifker reported that there were 4 new investigations, 7 closed investigations, and 2 active investigations for December 2012. For December 2012, there were 222 new applications, 215 of those were accepted and 7 were denied.

I. Reasons for Background Screening Denials
R. Hallet stated that this was a new item added per the request of Sup. A. Nicholson and suggested this item should also be held off until the next meeting when he is in attendance.

INFORMATIONAL:

8. Commissioner's Mileage Reimbursement form

R. Hallet stated that there was a request to reinstate the mileage reimbursement for Commissioner's attendance at meetings and other BCHA events. She could not find documentation that indicated how it was done in the past, so she came up with a new form that allows Commissioners to report mileage in one of two ways. The first option is to use a flat-rate mileage for attending the meetings monthly. The other option, if attending more than the monthly meeting, for example if on a subcommittee, is to track the specific mileage for each trip. The form would be turned in every 6 months, and then the Commissioners would be reimbursed based on the IRS mileage reimbursement rate.

R. Aicher commented that they do not want it to be cumbersome to the administration. R. Hallet distributed a fresh copy of the mileage form to be used by the Commissioners.

BILLS:

R. Hallet stated that there was no written summary, so she verbally explained the bills. There was a bill for the City of Green Bay for $882.62. A portion of that was salary and fringe benefits and another portion for IT services. There was one payment to Gannett Newspaper for $135.74 for the publication of the Project-Based Voucher RFP. There was a bill to Vande Castle for $1,221.00 for their services for fraud cases. In addition to this, there was one payment that was questionable and held from the last meeting for Langan & Associates. She indicated that it was a case in which Langan was asked to go to a court hearing and provide additional research information at the court hearing. The BCHA was charged directly for this service because it is not something that is covered under their contract with ICS.

A motion was made by A. Hartman and seconded by R. Aicher to approve the bills. Motion carried.

FINANCIAL REPORT:
None

STAFF REPORT:
R. Aicher asked whether there has been discussion concerning replacing the vacant position on the Board. R. Hallet stated that she had spoken with Rob Strong, who would contact the County Executive regarding appointment of a replacement Commissioner. She was not aware if R. Strong had the opportunity to speak with the County Executive yet. She and R. Strong have a few people they'd like to suggest to the County Executive. R. Hallet added that the bylaws do not indicate if the new Commissioner would be completing Darlene Hallet's term, or if they would be starting a new term. Because this is not clear, she suggested that they start a new term. A. Hartman inquired that the Commissioners' terms expire in staggering years, so that would be something to look into when determining the replacement's term. T. Diedrick added that they would also need to be mindful of the role of the new Commissioner and their place in the election of officers, considering that new Commissioners may not feel comfortable being an officer.

A motion was made by R. Aicher and seconded by A. Hartman to adjourn. Motion carried.

Meeting adjourned at 3:52 p.m.

MMR:rah:ejns