

SPECIAL MEETING - BOARD OF COMMISSIONERS HOUSING AUTHORITY OF THE TOWN OF MANCHESTER

2016

March 9, 2016

Mayfair Gardens

Attending: Chairman Josh Howroyd
Susan Holmes
Joseph D'Ascoli, Executive Director
Judy Taylor – Tenant Commissioner
Absent Paul Rubin – Vice Chairman

I. Meeting Called to Order

Chairman Howroyd called to order the Special meeting of the BOC at 6:05 p.m. He introduced the Board and guests Keisha Palmer and Dave Panico from the law firm of Robinson & Cole, Rick Healy from the law firm of Rome McGuigan and David McCarthy from Jonathan Rose Developers.

II. New Business

1. Resolution 2016-6 – Authorizing the Issuance and Sales of Non Exceeding \$62,000,000 Multi Family Housing Revenue Notes (Squire Village Apartments) series 2016
2. Resolution 2016-7 – To Establish a Program of Originating Loans Pursuant to Chapter 128 of The Connecticut General Statutes for Purposes of The Internal Revenue Code 1986, as Amended
3. Resolution 2016-8 – 2016 Capital Funds
4. Resolution 2016-9 – Proposed Contract Rent Increase for Spencer Village

Chairman Howroyd asked for a motion to suspend the rules and take Resolutions 3 and 4 from New Business. Ms. Taylor moved to suspend the rules; Ms. Holmes seconded motion passed 3-0.

#3 Resolution - 2016-8 2016 Capital Funds – Mr. D'Ascoli gave an overview of the Annual 1 year and 5 year plan and stated the plans have to be submitted to HUD on a yearly basis. He explained that he and Gary Sweet present to the residents the plans to them. We are proposing to do an amendment to our ACC contract \$374,306 for the 2016 Capital Funds. Once approved both he and the Chairman can sign and submit to HUD all these proposals. The one year plan outlines the 2016 improvements that MHA is looking to do. Some of the improvements include the West Hill Gardens office parking lot up grade and to finish the electrical panel upgrades at Mayfair Gardens, do an upgrade to make a unit handicap accessible and ADA compliant at a cost of approximately \$35,000. Messrs. Sweet and Itsou went to the communities to discuss with residents some of the projects that needed to be addressed in both the one year and five year plans. We are averaging about \$374k each year. Mr. Sweet had a public comment period and addressed some of the potential upgrades planned for all of our Federal sites. Chairman Howroyd added some of the larger ticket items – like the roofs have a 15 to 20 life span, the come off the table and MHA is able to do things like shower upgrades that the tenants would directly feel.

Chairman asked for a motion to approve Resolution 2016-8 2016 Capital Funds. Ms. Holmes so moved. Ms. Taylor seconded. Motion passed 3-0.

#4 Resolution 2016-9 – Proposed Contract Rent Increase for Spencer Village

Mr. D'Ascoli explained at the last BOC meeting we discussed a rental increase for the Congregate and a decision was made to go up \$25 on the rent. Rental increases must be approved by the Department of Housing (DOH). Mr. D'Ascoli is also requesting from DOH a rental increase for Spencer Village. He did have a public meeting for the residents at Spencer Village where the rental increase was discussed. The contract rent at Spencer Village is \$400 and we are proposing a \$25 increase. This increase will also help meet the December 2016 deadline for the funds that the Governor has put aside for housing. We are looking at the possibility of adding more units to this community and have to do some Feasibility Studies, market rents and affordable housing for a 9% tax credit showing the funding sources. This rental increase will boost up the revenue. There was no objection from the resident with the proposed increase of \$25 in the rent. Chairman Howroyd added that for most of the residents at Spencer Village the rental increase will not affect them. Ms. Taylor asked if the increase would take effect as each of the residents renew their lease. Mr. D'Ascoli explained this increase would take effect in October 1, 2016, the beginning of their fiscal year. The DOH has 60 days to get back to MHA as to whether or not they approve the requested rental increase.

Chairman Howroyd asked for a motion to approve. Ms. Holmes moved to approve Resolution 2016-9 Proposed Contract Rent Increase for Spencer Village. Ms. Taylor seconded. Motion passed 3-0.

Chairman Howroyd said we have been joined by Attorney Rick Healy from Rome McGuigan. Chairman Howroyd asked our guests from Robinson & Cole Keisha Palmer and Dave Panico to review the Squire Village project. Ms. Keisha Palmer reviewed the General Statutes. She explained under the General Statutes 8-44 housing authorities have certain powers for the creation and preservation of low income or moderate income housing either directly or to loan to a developer who wants to do the same thing. In this case MHA is loaning money to the Jonathan Rose Company, the developers on this project. In entering into this type of transaction there is no exposure for the Manchester Housing Authority or its officers. The liability runs directly to the borrowers/developers. MHA would pledge all of the revenues it receives from the borrower which would be all of the rents that the borrower collects from the project. Those would be the only assets to repay those loans.

Mr. Panico added that Robinson and Cole have done about two dozen of this type of deal in the last ten or fifteen years. They are becoming more popular to the developers. Developers are reaching out to housing authorities for conduit loans because CHFA only meets once a month, they are very slow and methodical which makes working with them very cumbersome. There are nine sets of Statutes that totally indemnifies MHA and holds MHA harmless for any liability. It is a transaction from the developer to the bank, who is the buyer of the bonds. To get the tax exemption it has to flow through MHA to get tax exempt financing. The bank verifies that the borrower and the project is viable. For allowing the transaction to run through the housing authority MHA will get a fee that can be used for anything.

Mr. Panico went on further to explain the principle agreements – a loan agreement which MHA assigns to the bank. MHA will not be handling any of the money, no accounting for it; the bank handles all of that. The developer will get the money directly from the bank; it is going to be tax exempt because is documented through MHA. The developer not only has the bank money but they are entitled to get low income tax credits. The developer can sell tax credits to an investor who will then get benefits on their tax returns. Selling the tax credits builds the pot of money the

developer can use for their project. Sterling Investors is handling this. After the close the money will go directly from the developer to the bank. They make sure all the covenants are complied with, make sure the project is built on time, all of due diligence is done prior to the issuance of the bonds. The tax credit investors also monitor the project because if milestones are not met they do not get their tax credits or they get reduced. The project needs to maintain their set aside for 30 years. Tax requirements require 15 years set aside and then the extended use agreement that CHFA requires. They have to maintain this low income housing for set aside 30 years. The way that is achieved is through CHFA real estate extended use agreement and there is also a regulatory agreement that follows the land records to assure that the project remains used as low/moderate income property as long as the bond are outstanding.

Chairman Howroyd commented that this is an existing project, not new construction. This is consistent with the housing authority's mission to provide safe, affordable housing to its citizens. We don't have a large inventory of family type housing in Manchester so there is a vested interest in the community to insure that it succeeds and we need to maintain it. Ms. Palmer added the code requires a certain amount of the money must also be used to renovate the property.

Mr. Panico stated that previously MHA adopted an inducement resolution where MHA indicated they would be willing to be the conduit issuer for this project. Now we have to come back to MHA for a funding bond resolution which is before you now. This authorizes MHA officers to sign the documents. It also states the liability does not fall on MHA.

Ms. Palmer explained they also need a second resolution, Resolution B that establishes the loan program. We need to have a program that complies with the regulatory theme. It essentially says that 95% of the proceeds are to be used for capital improvements and costs. Housing bonds have certain other rules on their tax codes that they have to comply with to maintain their tax exemption. It is known as the 95/5 rule; 95% goes to capital costs and 5% is used for non-capital costs.

Chairman Howroyd shared that we have already gone through the other steps in this process; the public notice and hearing. What is required from MHA this evening is to approve these two resolutions. Ms. Palmer explained these resolutions memorialize all the transactions for this project. She said they will have a closing and will need Mr. D'Ascoli and either the Chairman or Vice Chairman of the Housing Authority to sign the documents. There will be approximately 20 documents to be signed. A time and date will be set up.

Mr. D'Ascoli asked if a separate accounts needs to be set up. Mr. Panico explained that the bank will set everything up for MHA. The fiscal agent/trustee will control the bonds and open all the accounts.

Mr. David McCarthy from Jonathan Rose & Associates gave a brief summary on the project. He stated they are aiming to close on April 1. We have full zoning approval for the plans. The Bond will support an \$11.5m rehab of the project. Plans are to add a Community Center, approximately 7,000 sf which will have a property management office, a large hall for tenant gatherings, exercise room and meetings rooms. In addition we will be bringing a resident services coordinator to incorporate Squire Village into the Manchester community a lot more. Lots of people live there but there is not much coordination for the residents to the town. We will be changing out the roofs, improving the parking lots, paving and sidewalks. We will build

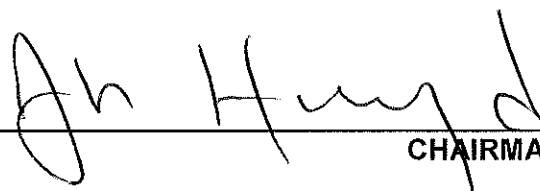
10 ADA compliant units – currently there are none. We are adding 5 affordable units where current there are storage units. We also plan on adding solar panels which will off set all of the electrical use at the property, the equivalent of 70 kilowatt hours. We have acquired building permits from the Town for everything except for the Community Center which we should have in another day or two. We currently have a police substation at the complex and plans are to move it to where the current community facility is located. The police have indicated this will work well for them. One other major item will be sight lighting which is lacking at the site now. At this point we are finalizing the financing elements with the bonds and also with the tax credits equity. Prudent Mortgage Capital is going to purchase the bonds on behalf of Freddie Mac. The tax credit equity is being supplied by Boston Financial. The compressed CHFA is in the final stages and MHA should be getting a volume cap letter in the next week or so. The rehab will take approximately 10 months to finish. We need to finish everything by the end of the year for our tax credits. We are working with Haynes Construction out of Seymour, Connecticut, they do a lot of affordable housing. The arrangement is that MHA will earn a fee at closing which is equal to 50 basis points on the bonds, \$310k. All of the expenses MHA incur will be covered by the project. Mr. McCarthy shared they have received a lot of support from the Town of Manchester. We have finalized the Tax Certainty agreement with the Town; we have established a level 15 year payment schedule for taxes that will increase at 4.75% a year which will help them underwrite with Freddie Mac.

Chairman Howroyd asked if there are no further questions, for a motion to approve Resolution 2016-6. Ms. Holmes moved to approve Resolution 2016-6 – Authorizing the Issuance and Sales of Non Exceeding \$62,000,000 Multi Family Housing Revenue Notes (Squire Village Apartments) series 2016. Ms. Taylor seconded. Motion passed 3-0.

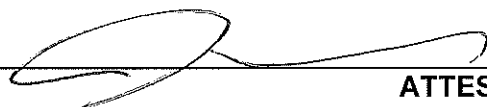
Chairman Howroyd asked for a motion to approve Resolution 2016-7. Ms. Taylor moved to approve Resolution 2016-7 – To Establish a Program of Originating Loans Pursuant to Chapter 128 of The Connecticut General Statutes for Purposes of The Internal Revenue Code 1986, as Amended. Ms. Holmes seconded. Motion passed 3-0.

III. Adjournment

Chairman Howroyd asked for a motion to adjourn the meeting. Ms Taylor moved to adjourn the meeting at 6:47 pm. Ms. Holmes seconded. Motion passed 3-0.



CHAIRMAN



ATTEST: