BARNSTABLE COUNTY HOME CONSORTIUM ADVISORY COUNCIL
TUESDAY, FEBRUARY 14, 2012
CAPE COD COMMISSION OFFICE
MEETING MINUTES

Members Present: Lee Berger, Lorri Finton, Jon Holt, Art Hultin, Michelle Jarusiewicz, Gerry Loftus, Sandee Perry, Judith Riordan

Members Not Present: Jillian Douglass, Valerie Foster, Vicki Goldsmith, Bernie Kaplan Marlene McCollem

Public Present- Carl Brotman

Staff Present: Paul Ruchinskas, Michelle Springer

HOME Program-

Funding Request for Rock Harbor $125,000-

This request is now for $150,000 opposed to the original request of $125,000. POAH submitted the original application, which they received a score of 89 points, which put them right under the 90 point threshold for $30,000 per unit. When Paul reviewed the application, he found that they scored 91 points, which qualified them for the $150,000. They just got their construction bids in last Friday and had $4.3 million in as their estimate and it came in at $4,338,000.00. They have requested the$150,000 from us to make up the gap on their construction budget. Preservation of Affordable Housing (POAH) is going to purchase this as part of a six project portfolio from the same owner. There are six properties throughout Eastern Mass including Kings Landing in Brewster. They plan to close on all five or six properties by the end of April. POAH is going to purchase the Rock Harbor property, which has been in existence since 1978 in Orleans and has 80 one- bedroom units and 20 two-bedroom units. The non-profit will acquire the property for $9 million and then sell it to their limited liability corporation that POAH has set up for $9.9 million dollars. POAH will be putting $900,000 into the project and does not expect to get re-paid for it. This helps POAH on a tax credit basis. They will be doing one million dollars' worth of renovation which will be mainly energy efficiency, accessibility work, and exterior siding. The acquisition will buy another 33 years more of affordability. The affordability was supposed to run out in 2019 which means it would convert to market rate units. If they close in 2012 there will be a 40 year MassHousing mortgage restriction which will keep it affordable. The rents currently have a housing assistance payment contract with HUD which means that everyone there pays 30% of the gross income towards their housing cost and HUD makes up the difference. They have applied to HUD to renew that for another twenty years. They have also asked HUD for higher rents due to the fact the housing assistance payments can be higher than Section 8 standards. One of the questions for the tax credit investors is what

happens if Section 8 goes away or gets significantly reduced? That is part of the reason why there is $800,000 in reserves that POAH will set aside just in case something happens with Section 8 or if vacancies are higher than anticipated.

We currently have about $750,000 in funds to commit to projects and we need to commit a significant amount by August 2012. The only other new project that we know will be coming for funding is BHA's Stage Coach Road.

The project review committee met last Thursday and at that time the request was for $125,000 and the committee recommended approval for funding. Paul heard from two of the three committee members on the $150,000 funding request and they recommend approval.

Sandee asked if they would be project based vouchers tied to the units.

Paul responded yes they would be tied to the units.

Art asked does the 30% on average equate to the actual rent amount. Does it come close to covering it or not?

Paul responded that every year the tenant's income gets recertified and then they take the new income, and 30% of that will be paid towards their rent and HUD pays the difference.

Sandee asked if it does convert from the Section 8 what area median income rate would it revert too?

Paul responded since there are tax credits involved the rents would need to go down to the 60%.

POAH is putting almost $1.9 million dollars of their own funding into this project. They will be getting about a $600,000 developer fee out of this transaction. Originally, POAH had requested five units be HOME assisted and Paul explained to them that we typically ask for 11 HOME units. POAH said their investors' concern was that if Section 8 went away, they would be left with the HOME rents on those units, with three of them being low HOME units. Paul then asked for 10 HOME assisted units instead with 8 at the High HOME rent and 2 at the low. It was also recommended by the project review committee that there be 10 HOME units if the funding is approved.

Sandee asked about the tax credit project going in with the February DHCD round, but Paul had said the 4% don't go in with the DHCD round; they go in on a rolling basis.

Paul explained that there is a 9% tax credit and a 4% tax credit. The 9% tax credit projects need to submit to DHCD twice a year to get the DHCD allocation and the 4% go in on a rolling basis for allocation through MassHousing. They did not include any commitment letters in the funding application. The MassHousing board meets sometime this month.

Sandee asked if there would be any credits available for this project.

Paul responded that yes there must be because they wouldn't be signing purchase and sales agreements without a high level of confidence that the credits were available through MassHousing.

Art asked about the $750,000 in funding that we needed to commit and that a portion of it was in jeopardy if not used. What was the amount that would be lost if not used?

Paul explained the HOME requires we commit ours funds within two years of getting them. Right now we are working off the year that we received almost $750,000. In order to meet the requirement we need to commit $175,000. However, we have four projects we approved last April, which totaled $575,000 in commitments that we have reserved with HUD. If funds are not used within a year of the project being set up HUD will cancel the project in the IDIS system. Unless all four projects get funded in the DHCD funding round some of those will get canceled this summer. We will need to make sure that if any of those do get canceled we commit the funds to another project.

Paul explained that Stage Coach Road will be coming to us for funding. The Kings Landing project has run into some issues. POAH has recently found out that they need to do a centralized waste water treatment plan for the project. They had nine Title 5 systems which would be one for each building, but Mass DEP said that won't work. That is both a big development and operating expense. POAH will be going back to the seller to negotiate.

There a couple other smaller projects but Paul is not sure how many will get through the application stage.

Lee made a motion to approve the funding request of $150,000 for Rock Harbor for 10 HOME units, Gerry seconded the motion, 8 in favor, 0 opposed, 0 abstained.

Meeting enclosures-

1. Letter from Preservation of Affordable Housing, Inc. Rock Harbor Village request for funding
2. Section 3 and Section 4 of full application Sources and Uses of Funds and Operating Pro-Forma

Meeting Adjourned- 4:52 pm