

BARNSTABLE COUNTY HOME CONSORTIUM ADVISORY COUNCIL
THURSDAY, DECEMBER 19, 2013
CAPE COD COMMISSION OFFICE
MEETING MINUTES

Members Present: Lee Berger, Carl Brotman, Richard Carroll, Lorri Finton, Jon Holt, Michelle Jarusiewicz, Bernie Kaplan, James Kyrimis, Marlene McCollem, Sandee Perry

Members Not Present: Jillian Douglass, Vicki Goldsmith, Elaine McIlroy, Cindi Maule

Staff Present: Paul Ruchinskas, Michelle Springer

Minutes-

Richard made the Motion to approve the Minutes of November 21, 2013. Jon seconded the motion, 5 members in favor, 0 opposed, 0 abstained.

HOME Consortium Member Update-

The following seats are due for renewal as of January 31, 2014: Eastham, Falmouth, Orleans, Provincetown, Yarmouth and the At Large seat currently held by Vicki Goldsmith. Paul will be sending letters out to the Chairs of the Board of Selectman of the various towns by the end of the month. Paul will send affected members copies of those letters.

HOME Program Rental Monitoring Fee Policy-

One of the outcomes of the new HOME regulations is the possibility of charging a Rental Monitoring fee. This would be for projects that we committed funding after August 23, 2013. As of right now the only projects we have that we could start to charge this fee would be for 20 Shore Street in Falmouth, the Coady School in Bourne and Stable Path in Provincetown. This will not be retroactive to any of our 50 rental projects that we have funded in the past. Paul highlighted some of the key points from his handout.

- There is now a requirement of an on-site inspection within one year of project completion. This includes both a property/unit inspection and a file review of tenant income eligibility, rents, leases, and affirmative marketing/tenant selection procedures.
- Annual desk review of tenant incomes and rents for all HOME assisted units on all HOME assisted rental developments
- Annual desk review of the properties financial status of all HOME assisted rental projects. This is a new requirement and only for those developments with 10 or more units. Consortium staff has been reviewing all projects, regardless of size, for the last three years and will recommend that the practice continue. Owners may submit either audited financial statements or management statements.
- On site property/unit inspection and file inspection at least once every three years on all HOME assisted rental developments. The prior regulation required annual on-site visits

on projects of 26 or more units; every two years for 5-25 unit projects; and every three years for 1-4 unit projects. Jurisdictions will now have the ability to determine how often they monitor rental projects although again it must be at least once every three years. The new regulations require that all the units and files be inspected for projects with from 1-4 HOME assisted units. HUD will issue guidance on the appropriate sample size for projects with five or more HOME units although no fewer than four units and files will need to be inspected. Currently, we have inspected about 20-25% of the HOME units and files during on-site visits; therefore, there will be more files to review and units to inspect under the new regulations.

The Consortium is responsible for monitoring 50 HOME assisted rental developments that included 384 HOME units. Over the last three years Michelle has averaged about 15 on site monitoring visits per year. Staff's best estimate of the amount of time spent directly monitoring the 50 HOME assisted projects over the past year was about \$31 per unit. The low income housing tax credit monitoring fee that DHCD charges is \$30 per tax credit unit. The expense charged by our contracted property and unit inspector is \$45 per unit with a \$15 re-inspection fee. This will all be incorporated into our Monitoring Policy that we need to have in place by July 2014. Any fee will only cover Shore Street for this coming year.

Staff's recommendation is a \$30 Annual Monitoring fee per HOME assisted unit, to be adjusted by the Advisory Council as needed no more than annually. The Property Inspection fee will be reimbursed to the Consortium for the actual costs of the inspection.

The following is the recommendation for the schedule:

- 1-10 units annually
- 11-25 every 2 years
- 26+ every 3 years.

What we have found is that the smaller projects have run into the most compliance issues, financial issues, etc. and need to be monitored more frequently.

If a project in the 1-10 unit category has two years of consecutive satisfactory reports it will then move to every two years. The criteria for a Satisfactory Report is as follows: for the physical inspections is that there was no re-inspection needed; no Findings issued after the desk review; the Finances show no cash flow or excessive vacancy issues. On the Finances, Paul also recommends adding a requirement for the project to have an appropriate amount of replacement reserve.

The monitoring fee would become a new operating expense that projects would need to carry. For projects that have the maximum of 11 HOME assisted units, the likely maximum annual fee would be \$630 (\$330 for desk/file review + \$300 for property inspections of 6 units). This would add about \$57 per unit per year to the operating budget.

Richard asked if we should think about charging \$35 due to the fact the average cost came out to \$31 per unit and there is no provision for inflation or rising costs.

Paul responded that the \$31 was very close to what DHCD charges so that was why he felt comfortable with \$30 per unit.

James asked if we should have a cost of living increase as part of the fee structure.

Paul responded that yes we could do that.

Richard made a motion to adopt the \$35 Monitoring Fee, Bernie 2nd the motion.

James made a motion to add inflation to the fee structure, Richard 2nd the motion.

Marlene asked if due to the fact that some projects take a lot more work than others, should we charge a higher fee to compensate for the additional time spent?

Sandee commented that she viewed monitoring as a learning/educational process and didn't feel it should be a penalty.

Paul acknowledged that some projects take much more time than others; however, he had the same perspective on the purpose of monitoring as Sandee and thought it would be complicated to fairly determine at what point an extra fee should be charged.

9 members in favor of the motion made by Richard as amended by James, 1 opposed, 0 abstained.

HOME Program Homebuyer Policy-

Paul began by explaining that the Consortium has already approved a policy about 2 years ago, but that there were some changes/edits needed in order to bring the policy into conformance with the revised HOME regulations. Paul then went on to review the changes he would like adopted within the Homebuyer Eligibility and Underwriting Policy:

- Paul added that the program is administered by a sub-recipient, which is currently Housing Assistance Corporation. Lee commented that we shouldn't list HAC in the policy as the program is put out to bid every three years and the sub-recipient could change.
- Paul added the new HOME regulation in reference to the Conflict of Interest Policy.
- On household assets Paul recommended taking out the age restricted language and keep the asset limit to \$75,000 for all applicants.
- On Homebuyer and Education Counseling HUD is now requiring counseling in addition to homebuyer education. The criterion for being a certified counselor is currently being worked out. Someone at HAC (or the current sub-recipient of the DPCC program) will need to be certified.
- On the refinancing portion of the policy Paul made the revision to reflect what was adopted in 2010 (to our 2008 DPCC policy) in regards to types of loans. i.e. in which circumstances adjustable rate mortgages are acceptable.

Sandee agreed with Lee that where it says Housing Assistance Corp. should be revised to say sub-recipient, and Paul agreed to make that change everywhere in the Policy.

Richard made the Motion to approve the revisions to the HOME Program Homebuyer Policy as discussed. Lee seconded the motion, 10 members in favor, 0 opposed, 0 abstained.

HOME Rental Development Project Policies and Guidelines-

One of the new requirements from HUD is that we have a policy and guidelines on how we make judgments on funding applications. Paul drafted a policy based upon our current practice of reviewing funding requests.

Paul asked Sandee to report on the Conflict of Interest issue that has come up recently with the Barnstable Housing Authority (BHA).

Sandee explained that the BHA received an email from a person in the community, and it was his feeling that housing authority staff should not sit on the HOME Consortium. When the BHA receives letters/emails like this it is up to Sandee as the Executive Director to contact the State Ethic Commission. Sandee as the Executive Director of BHA is considered a "special municipal employee" and her appointment to the HOME Consortium by the Town of Barnstable makes Sandee a "special county employee" and as such she can be both the Executive Director of BHA and be on the HOME Consortium, but there are some restrictions. As the Executive Director she is not able to sign any funding requests or requisitions for funding of any kind. Sandee usually signs all the contractual agreements, with the Board of the Barnstable Housing Authority's approval, but now she will make sure that the Chair person signs any kind of documents in regards to request for funding, requisitions for funding, etc. Sandee wasn't sure how it relates to people on the Consortium that are associated with non-profits, HAC, Habitat, etc. but would recommend looking into it so that we are in compliance with the ethic laws and requirements.

Paul explained that our practice has been if there is someone on the HOME Consortium that is a board member or staff person of the organization making the funding request that they not vote, but can stay at the table to participate in the discussion. Paul feels that we should have this in writing and that in the cases where someone is a board member or staff person of a funding applicant that they will not participate at all in the discussion or vote and be out of the room for discussion.

There was extensive discussion of whether the Consortium should adopt any policy that differed from the current state Ethics Law in order to deal with any appearance of a conflict of interest. After discussion, there appeared to be a consensus not to add any language on this matter to the Rental Project Policy and to have any members seek a determination from the Ethics Commission in cases where they feel there may be a conflict of interest.

Paul reviewed our current funding review process and HOME underwriting policies and guidelines and noted that the only proposed changes were to the scoring system as follows:

- The scoring system changes are a definition of redevelopment, definition of visit-ability, 5 points will be given for projects with at least 50% of the units are 2 bedroom or larger

and at least 5% are 3 bedroom or larger. This gives an advantage to family housing which is consistent with DHCD's policy. Total development cost per unit and per gross square foot were increased to reflect the actual project costs we have seen over the last 3-4 years.

Lee made the Motion to adopt the HOME Rental Development Project Policies and Guidelines Carl seconded the motion, 10 members in favor, 0 opposed, 0 abstained.

Project Status Update-

- Sally's Way-CHR-Truro- 13 of 16 units leased with 3 project-based units still to be filled.
- Stage Coach Residences-Barnstable Housing Authority- completed and working on getting tenants into occupancy over the next few weeks/month.
- Simpkins School Residences-Stratford Capital Group-Yarmouth-construction is about 90% complete; however, they are about 12 weeks behind their projected construction schedule.
- Great Cove Community-HAC-Mashpee-Construction is underway and about 55% done.
- Village Green-I-Dakota Partners-Barnstable-loan closing process delayed due to government shutdown and loss of Mass historic tax credit investor in early December but another investor has been found.
- 20 Shore Street-The Resource Inc.-Falmouth-loan closing process is underway and the closing is likely to be January 2014.
- Notantico Woods-Falmouth Housing Corp.-Falmouth-The HOME Consortium has committed \$175,000 and the commitment runs out the end of December. Affirmative Investments (AI) made a commitment to Bob Murray and FHC that it would complete the project and is working to firm up the construction cost estimate. AI has discussed the need for additional funding with DHCD and the HOME Consortium to make the project feasible. DHCD has made a verbal commitment for some additional resources. AI will likely request an extension from the HOME Consortium along with additional funding before the end of this month. Paul noted DHCD will only hold one funding round- in March- in 2014 and that the Consortium does not expect to receive any new funding requests in that round. The Consortium will need to commit about \$190,000 by the end of August 2014 in order to meet the 2 year commitment requirement. Paul asked members for feedback as to how much additional funds they might feel comfortable providing for this project. Members stated they wanted to review whatever AI requests; however, generally members were reluctant to exceed the \$250,000 maximum that we have ever committed to one project.
- Route 134 Community Housing-HAC-Dennis-This is the only Cape project funded in the recent DHCD round.

- Coady School Residences-Stratford Capital Group-Bourne-Project was not funded in recent DHCD round but will resubmit for the January pre-application deadline.
- Stable Path-CHR-Provincetown- Project was not funded in recent DHCD round but will resubmit for the January pre-application deadline.
- Village Green-II-Dakota Partners-Barnstable-- Project was not funded in recent DHCD round but will resubmit for the January pre-application deadline. The Dakota staff person called Paul to tell him that DHCD's feedback was that the project was not funded in part because of the late Consortium commitment and the condition that Phase 2 not start until Phase 1 has been leased up. Members generally felt that lease up of Phase 1 was still an appropriate condition even though the closing of Phase 1 has been delayed.

Additional Project Notes-

- Coady School- DHCD contacted Paul about the fact that they did not notice until the final funding recommendation stage that 46% of the units are 2 bedroom units. Paul was asked by DHCD to think about whether the project should have the age limit at 55 or 62 as well as how many/what % of the units should be 2 bedrooms (if fewer 2's, then possibly could have more units in the project). If 55 is the age requirement, then up to 20% of the units can be occupied by households under 55 and children can occupy the units as well. If 62 is the age limit, then all occupants need to be 62+. Consortium members did not express any issue with the number of 2 bedroom units and were fine with 55 age restriction and were supportive of the original proposal to which we conditionally committed funding.

Meeting adjourned at 10:06 a.m.

Enclosures:

1. Minutes of November 21, 2013
2. HOME Program Monitoring Fee
3. HOME Program Homebuyer Policies
4. HOME Program Rental Development Project Policies and Guidelines
5. Rental Projects Update