

CITY COMMISSION AGENDA MEMO
July 18, 2017

FROM: Jason Hilgers, Deputy City Manager

MEETING: July 25, 2017

SUBJECT: Manhattan Housing Authority Request

PRESENTER: JoAnn Sutton, Executive Director, Manhattan Housing Authority

BACKGROUND

City Administration has been meeting with the Manhattan Housing Authority (MHA) for the past couple months discussing their High Rise Apartment Towers property on Leavenworth Street between 5th and 4th Streets. MHA has reached a point where they have exhausted several financial resources with Housing and Urban Development (HUD), and repairs remain with the exterior windows and internal sewer infrastructure before the structure is available for occupancy.

DISCUSSION

MHA submitted a letter, memo and presentation (all attached), which highlight the situation and discuss alternatives at this point. MHA is seeking \$1 million in a recoverable loan over a period of 20 or 30 years from the City of Manhattan. The loan will explore and remedy the sewer infrastructure issues and replace exterior windows.

FINANCING

A \$1 million recoverable loan could be structured for window and sewer repairs at the High Rise Apartment Towers. Annual payments for 20 years on a \$1 million loan would be roughly \$85,000 per year. Payments for 30 years are estimated at \$67,000 per year.

ALTERNATIVE

It appears the Commission has the following alternative concerning the issue at hand. The Commission may:

1. Provide feedback and direction on the MHA request for funding assistance.

RECOMMENDATION

City Administration recommends the City Commission provide feedback and direction on the MHA funding request.

POSSIBLE MOTION

No motion is necessary, as this is a work session.

JH
17067

Enclosures:

1. Letter from MHA
2. Memorandum from MHA & MHA Meeting Minutes
3. Presentation from MHA



July 17, 2017

The Honorable Usha Reddi
And City Commission
City of Manhattan
1101 Poyntz Avenue
Manhattan, KS 66502

Dear Mayor Reddi:

The Manhattan Housing Authority (MHA) is an agency of the City of Manhattan, established in 1969. The MHA is governed by a 7-member board of commissioners, appointed by the Mayor and City Commission. The mission of the Manhattan Housing Authority is to provide decent, safe and affordable housing to low and moderate income individuals and families.

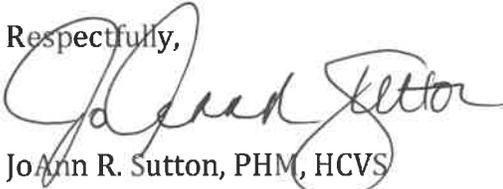
The Manhattan Housing Authority respectfully requests the assistance of the City of Manhattan by providing a loan or bond program to allow access to future Capital Funds as a source of debt service payment. The estimated need is \$1,000,000.

By assisting the Manhattan Housing Authority in this endeavor, the largest public housing development in housing authority inventory will be able to be reoccupied which will benefit the citizens of the City of Manhattan, and meet a crucial need of affordable housing in the community that simply cannot be met in the private sector.

Attached please find several documents which will describe the issues at hand, as well as discuss possible solutions and demonstrate Manhattan Housing Authority Board of Commissioner support for this request.

Thank you in advance for your consideration of our request. If we can be of assistance in any way that will help expedite our requests, please do not hesitate to contact me at your convenience.

Respectfully,


JoAnn R. Sutton, PHM, HCVS
Executive Director


Janis Clare Galitzer, Chair
MHA Board of Commissioners

MANHATTAN HOUSING AUTHORITY
APARTMENT TOWERS RENOVATION
SUMMARY DISCUSSION

BACKGROUND

On November 25, 2013, the Manhattan Housing Authority submitted an application to the Department of Housing and Urban Development (HUD) for an emergency Capital Fund Program (CFP) grant in the amount of \$6,218,654. This grant application was submitted due to the discovery of mold in the Apartment Towers.

On June 12, 2014, the Housing Authority was notified that the grant was approved; however, the grant was approved for only \$5,410,572. Certain items in the scope of work submitted with the grant application were not funded, including replacement of windows and patio doors. It is estimated the replacement cost for windows and patio doors throughout the building will cost approximately \$625,000, including refinishing certain interior finishes.

Additionally, it was discovered during construction that the underground sewer lines are in very poor condition, and must be repaired (lined) or replaced prior to requesting a Certificate of Occupancy. An estimate has been received for lining the sewer lines in the amount of \$230,000. The anticipated amount for replacement of the sewer lines is \$270,000 including Architect/Engineering Fees. These conditions were unknown at the time of the emergency CFP grant application, and therefore not included in the scope of work.

The Manhattan Housing Authority accrued Replacement Housing Factor (RHF) grant funds since the disposal of the Flint Hills Place development in the mixed finance transaction with the Manhattan Area Housing Partnership (MAHP). The Manhattan Housing Authority petitioned HUD to allow the use of the RHF funds for modernization in order to fund the non-funded items which included window/patio door replacement, fire alarm and security system removal and re-install, mechanical room expansion and first floor exterior waterproofing and roof repair. This request was approved and provided \$491,693 in additional project funding.

Additionally, the Manhattan Housing Authority committed \$150,000 of its 2014 Capital Fund Program (CFP) annual formula grant allocation and \$100,000 of its 2017 CFP annual formula grant allocation to this project.

Finally, the Manhattan Housing Authority entered into an Energy Performance Contract (EPC) with Johnson Controls, Inc., which provided funds to assist with a portion of the HVAC replacement and energy saving water and lighting equipment. The EPC also provided energy saving improvements to other properties owned by the Manhattan Housing Authority. This debt service is to be paid back through energy savings as a result of the installed equipment. However, delays in completing the Apartment Towers resulted in much less savings than anticipated, requiring the Housing Authority to make the debt service out of its reserves.

DISCUSSION

After the mold was discovered in the Apartment Towers building, residents of the building who had significant health issues or that were at risk for health issue as a result of the mold were relocated temporarily to hotels and other available public housing units. Eventually all residents were relocated to facilitate the asbestos remediation, demolition and re-construction. While HUD funds were available to pay for relocations that

occurred after the emergency CFP grant was approved in 2014, all expenses prior to that date had to be absorbed into the MHA budget. All but six (6) residents were relocated to other Public Housing units, with the remaining six (6) relocated to units managed by the Manhattan Housing Authority. While this was a necessary activity, it had a negative impact on revenue for the Manhattan Housing Authority due to loss of income from 88 units in the Apartment Towers building, as well as revenue from units that the residents were relocated to that would have been otherwise occupied by low-income families. This loss of revenue has had a significant impact on the Housing Authority, depleting available funds needed for operating and capital improvements. It is imperative that the building be able to be occupied as soon as possible in order to increase revenue and provide 88 additional units of affordable housing in our community.

The Manhattan Housing Authority has researched several funding sources to fund the items that were not funded by HUD, replace the funds that were recaptured by HUD and to fund the sewer lines not included in the original scope of work. Following is a summary of that activity:

- Traditional Financing: Traditional financing through a bank or other lender would not be desirable to a private lender for a number of reasons, including a) the lack of understanding of public housing regulations; b) current cash flow and operating reserves; and c) HUD regulations that prohibit foreclosable debt on the property (although a mortgage to record the obligation is allowed).
- Operating Fund Financing Program (OFFP): This program allows the Housing Authority to borrow money, and leverage future operating subsidies for debt service. The Manhattan Housing Authority will not qualify for this program, as it requires that the Housing Authority have at least six (6) months of reserves available; the Manhattan Housing Authority has less than the required amount of reserves.
- Capital Fund Financing Program (CFFP): This program allows the Housing Authority to borrow money, and leverage future Capital Fund Program grant funds for debt service. The CFFP is a long a cumbersome process, and would reduce the amount of funds that were available in the future for operating and capital improvement activities at other sites. It is also anticipated that due to the financial status of the Housing Authority, a grant application would not be able to be submitted and approved for a period anticipated to be at least six (6) months.
- Emergency Capital Fund Program Grant: HUD denied funding of the windows in the initial emergency CFP application. While the need to repair/replace underground sewer lines is a 'new' emergency, it is anticipated that an approval (or disapproval) would not be received for a period of at least six (6) months. The building cannot be re-occupied until the sewer lines are repaired or replaced; additionally, re-occupying the building before replacement of windows will create opportunity for new mold growth and damage to newly installed drywall, carpet, cabinets, etc.
- Create a 501(c)3 Entity to Apply for Funds Available to Non-Profits for Capital Improvements: The Manhattan Housing Authority has begun this process; however, certain anomalies regarding the establishment of an affiliated entity or instrumentality of the housing authority make this a less desirable option, in addition to the lack of assurance that any one or combination of grants would be approved in an amount that would fund the project. It should be noted that the Housing Authority did receive sponsorship under the Greater Manhattan Community Foundation (GMCF), providing eligibility to apply for such grants under this structure; however, it does not appear likely that any one fund would commit to the amount of funding needed to complete the project.

- Agreement with City to Issue Bonds with Housing Authority Repayment: Staff and legal counsel have met with City Staff and legal counsel to discuss the option of the City issuing bonds on behalf of the Housing Authority, with the Housing Authority assuming responsibility for payment of the debt service

at such time it became required. After discussing with City staff, it was apparent that the City was willing to assist in this way, pending approval of the City Commission and HUD. However, HUD disapproved the request, stating that the Housing Authority would need to execute such an agreement through the OFFP application process, which would be denied due to lack of available operating reserves. HUD strongly recommended the Housing Authority work with the City to receive the needed funds on a grant basis. The Housing Authority inquired with HUD if they would allow the City to grant the funds to the Housing Authority, with an application at such time the operating reserves increased as a result of the re-occupancy of the building; HUD stated they would not approve such a request.

During more recent discussions with the HUD Office of Capital Improvements (OCI) in Washington, DC, the Housing Authority was referred to Tom Landgraf Consulting, LLC, a development consultant out of Madison, WI. Mr. Landgraf has had extensive experience with structuring recoverable grant agreements between municipalities and housing authorities. Such an agreement is designed in a manner that does not collateralize any land, buildings, cash or other assets of the Housing Authority; this type of agreement also stipulates that should the Housing Authority not have cash flow to pay the debt service, the City will not have recourse against the Housing Authority as long as the property remains operated as Public Housing under Section 9 of the Housing Act of 1937. With no collateral, no HUD approval is required, although a copy of the Agreement is provided to HUD to keep on file. This type of financing agreement is authorized by PIH Notice 2011-14 (attached). We have received confirmation that this Notice has not expired or been revised.

The immediate financial condition of the Housing Authority is very poor at this time, due to decreased operating revenue as a result of the loss of dwelling rental and continued decreases in operating subsidy provided by HUD. Prior to the discovery of the issues which have led to the reconstruction of the Apartment Towers, the Manhattan Housing Authority had a cash reserve of approximately \$530,000; at fiscal year-end 2016, this balance has steadily decreased and been depleted.

The Housing Authority has taken every possible measure to decrease expenses, including reductions in staff and other controllable expense items. However, many operational expenses are uncontrollable such as utilities, insurance, employee benefits, etc.

At this time, the items included in the original scope of work are substantially completed; however, a suspension of work order has been issued for items that would be affected by moisture entering through the existing windows, including installation of flooring, and ceiling tiles on first floor.

It is anticipated that upon completion and re-occupancy of the Apartment Towers building, the cash flow will increase, in turn increasing the viability of the agency and its ability to pay the debt service as it becomes due. Re-occupancy will also increase the energy savings, which eventually will result in additional cash becoming available that can be used for additional energy-saving measures.

At this juncture, it appears that the only viable option available is to request the City Commission approve the City of Manhattan to grant funds to the Housing Authority under a Recoverable Grant Agreement to make funds available for completion of the Apartment Towers project. The funds provided will be used for replacement of windows and repair/replacement of underground sewer lines. While the total estimated cost for both is \$855,000, it was suggested during recent discussions with City staff that in order to allow contingency

for the project and allow for the possibility that lining the sewer lines will not be sufficient and they would need to be replaced, that the Housing Authority request \$1,000,000.

If approved, the Housing Authority would address the sewer lines first, in order to determine an actual anticipated cost (lining vs. replacement). Should replacement of some or all of the underground sewer lines be required and reduce funds available for window replacement, the Housing Authority will need to either a) adjust the scope of work for window replacement; or b) request additional funds.

The Housing Authority would request that an approved agreement be structured in a manner that would maintain the annual payment at the lowest possible amount in order to ensure feasibility especially during the first years of debt payment, with the understanding that should additional cash flow be available, additional payments can and will be made in order to reduce and/or satisfy the debt sooner. In order to do this, the Housing Authority would request the debt be paid over a minimum of 20 years, or a maximum of 30.

It is the Housing Authority's intention to continue to pursue options that would potentially allow the Housing Authority to reimburse the City for at least a portion of these funds, as well as increase revenue for administrative, capital and other operational expenses.

The Manhattan Housing Authority Board of Commissioners has discussed our options extensively during monthly board meetings, and supports this request to the City of Manhattan.

Enclosures:

1. PIH Notice 2011-14
2. MHA Board of Commissioner Minutes
 - a. Special Meeting – May 22, 2017
 - b. Regular Meeting – June 21, 2017



**U.S. Department of Housing and Urban Development
Office of Public and Indian Housing**

Special Attention of:

Public Housing Agencies
Public Housing Hub Office Directors
Public Housing Program Center Directors
Regional Directors
Field Office Directors
Resident Management Corporations

Notice PIH 2011-14 (HA)

Issued: February 24, 2011

Expires: February 28, 2012

Cross Reference:

Subject: Guidelines for Undertaking Financing Unsecured by Public Housing Assets.

I. Background and Introduction

- a. HUD is publishing this Notice with the goal of providing guidance to public housing authorities (PHAs) and others on how to manage compliance with public housing requirements when undertaking a financing that is not secured by public housing assets. Specifically, PHAs may not provide recourse to public housing assets as defined herein to their lender or financier.
- b. This Notice applies to all PHAs that operate public housing.
- c. This Notice provides for certain requirements when pursuing a financing that is not secured by public housing assets, and states guidelines for what HUD requires for those financings, as well as what HUD specifically does not require of the PHAs. To help maintain compliance with public housing requirements, PHAs should review and follow the guidelines provided in this Notice.

II. Requirements and Guidelines for Financing Unsecured by Public Housing Assets, for Modernization or Development Purposes.

- a. **When Proceeds are Used for *Either* Modernization or Development.**
 - i. PHAs, or their affiliates or instrumentalities, that undertake financings that do not pledge or provide a security interest in or otherwise encumber public housing property are not required to obtain HUD approval of such financings pursuant to Section 30 of the United States Housing Act of 1937 (1937 Act) or Section 7 of the Consolidated Annual Contributions Contract (ACC). PHAs are also not required to notify HUD of such financings, however, copies of all financing and supporting documentation are subject to review by HUD and should be kept on file and available. Additionally, PHAs are advised that such financings should be reported to

their Independent Public Accountant for the purpose of completing their annual OMB A-133 or OMB non A-133 audit, as applicable.

ii. Applicable Guidance for the Sources of Repayment.

1. Capital Funds may be used to pay debt service on an unsecured financing, but only where the proceeds of the loan were used for the modernization or development of public housing, and where the financing proceeds were used in conformance with Public Housing requirements. If Capital Funds are used to repay the financing, the use of Capital Funds must be included in a Capital Fund Annual Statement/Performance and Evaluation Report (HUD-50075.1) and Capital Fund Program Five-Year Action Plan (HUD-50075.2).
2. Operating Funds may be used to pay debt service on an unsecured financing, but only where the proceeds of the loan were used for the modernization or development of public housing, and where the financing proceeds were used in conformance with Public Housing requirements. For PHAs that intend to use Operating Funds for the payment of debt service, this use must be incorporated in a budget adopted in conformance with the requirements of 24 CFR Part 990, which governs Operating Subsidy; in the PHA 5-Year and Annual Plan (HUD-50075) for a non-qualified PHA and in the PHA 5-Year Plan for a qualified PHA.

iii. Language for Financial Documents.

1. PHAs that undertake financing unsecured by public housing assets shall include the following non-recourse language in all financing documents:

“This financing is non-recourse to any public housing property (real or personal property including all public housing assets or income), or disposition proceeds approved pursuant to Section 18 of the United States Housing Act of 1937 (unless explicitly permitted by HUD in the Section 18 approval letter.”

If a PHA fails to incorporate this language or otherwise enters into financing which has recourse to public housing assets, the PHA will be considered in violation of the ACC and the 1937 Act and will be subject to all available HUD remedial action. Further, the PHA must keep all public housing property protected by appropriate use restrictions under current and effective Declarations of Trust or Declarations of Restrictive Covenants.

2. PHAs shall include a conflicts provision in relevant financing documents indicating that in the event of a conflict between the financing documents and Applicable Public Housing Requirements, the Applicable Public Housing Requirements shall prevail. Applicable Public Housing Requirements are defined as all requirements applicable to public housing, including the United States Housing Act of 1937, HUD regulations thereunder (including any HUD-approved waivers of such regulations), the Consolidated Annual Contributions Contract and any amendments or riders thereto, the HA's standard public housing admissions and occupancy policies adopted in accordance with federal law and described in the HA's approved Public Housing Agency Annual Plan, or any approved amendment to the Plan for non-Qualified PHAs, or the Five-Year Action Plan for Qualified PHAs, or any contrary provisions in the MTW Agreement, and all other pertinent Federal statutory, executive order, and regulatory requirements, as those requirements may be amended from time to time. This provision is designed to help PHAs maintain compliance with the federal requirements associated with owning and operating public housing, but does not guarantee the HA's compliance. PHAs are still advised to be aware of the risks associated with any type of financing, including those where proceeds are used for modernization or development and public housing funds are used to repay any source of financing.
- iv. Public housing property includes all public housing assets and income, any public housing Project (as the term "Project" is defined in the ACC between the HA and HUD), any Operating Receipts (as the term "Operating receipts and Operating expenditures" is defined in the ACC), Public Housing Capital Funds or Operating Funds, HOPE VI or other development grants and other grants to the HA from HUD under the 1937 Act. PHAs should be aware that certain assets, such as proceeds from the Section 18 disposition of public housing must be used for the purposes specified in Section 18(a)(5) of the 1937 Act.
- v. As certain fee-for-service amounts charged to Asset Management Projects (AMPs) or programs such as the Capital Fund program, and earned by a Central Office Cost Center, are not protected by HUD-mandated non-recourse language, PHAs are advised to negotiate more expansive non-recourse provisions to the extent that they wish to ensure protection to such assets or income. PHAs are further advised that the level of protection provided such assets in agreements entered into by the HA does not impact upon the HA's obligations to fulfill all public housing requirements related to the operation, management, maintenance and development of their public housing.

Contacts: For further information on the applicability of this notice or technical assistance relating to its requirements, contact Nicole Puri at (202) 402-6328 or nicole.d.puri@hud.gov in the Office of Public Housing Investments.

/s/

Sandra B. Henriquez, Assistant Secretary for
Public and Indian Housing

**MANHATTAN HOUSING AUTHORITY BOARD OF COMMISSIONERS
SPECIAL MEETING
RILEY COUNTY SENIOR SERVICES CENTER
Manhattan, KS 66502
May 22, 2017
5:30 pm.**

Members Present: Phil Anderson, Vice Chair
Jamie Schrock
Livie Olsen
Ida Jane Leupold
Kennedy Clark
Linda Morse

Members Absent: Janis Clare Galitzer, Chair

City Commission Liaison: Linda Morse

Staff Present: JoAnn Sutton, Executive Director

I. CALL TO ORDER

Chairperson Galitzer called the meeting to order at 5:30 p.m.

II. OPEN FORUM

a. Open Form: No new comments or concerns

III. CONSENT AGENDA

None

IV. COMMISSIONERS COMMENTS

None

V. OLD BUSINESS

a. Consider a Grant Request to Fund the Window Replacement and Sewer Line Repair/Replacement Project at the Apartment Towers

JoAnn Sutton, Executive Director, reviewed the construction items at the Apartment Towers for which funding has not been identified (below grade sewer line repair/replacement, window replacement), as well as potential sources of funding that have been considered. These sources included traditional financing, grants, Capital Funding Financing Program (CFFP), Operating Fund Financing Program (OFFP), Emergency Capital Fund Program (CFP) grant, and finally financing provided by the City of Manhattan through a bond program to be repaid by the Housing Authority. JoAnn also

reviewed the reasons the resources above are not feasible, and referred Commissioners to the information contained in the Agenda Memo.

Commissioners inquired if the Housing Authority pays taxes; JoAnn expressed that the Housing Authority is tax exempt, and pays a Payment in Lieu of Taxes (PILOT) to the City of Manhattan in lieu of paying ad valorem taxes. The PILOT payment is calculated by using the sum of 10% of dwelling rental revenue less utility expense. JoAnn explained that many cities waive the PILOT payments for their Housing Authorities for periods of time.

JoAnn further explained that the request that was submitted to the Department of Housing and Urban Development (HUD) to enter into a loan transaction with the City was denied, citing the requirement to utilize the OFFP or CFFP processes to borrow funds. This denial has not been received in writing, pending concurrence by HUD headquarters in Washington, DC. HUD suggested that the Housing Authority request a grant from the City of Manhattan, which appears at this time to be the last viable option.

JoAnn stated that the funding need is currently estimated at \$625,000 for window replacement and \$230,000 for sewer pipe lining; however, there is a concern that the sewer lines are too deteriorated to be lined and will need to be replaced; therefore, the Housing Authority needs to have contingency funds, as well as a contingency plan in the event the sewer lines cost more than the initial estimates. We do not have an estimate for replacement at this time. However, the sewer lines should be addressed first, in order that the window replacement can be adjusted however necessary (i.e., replace fewer windows/patio doors, reduce quality of window to double pane vs. triple pane, etc.) in order that the building can be re-occupied.

JoAnn also reminded the board that the majority of energy savings under the Energy Performance Contract (EPC) are scheduled to be realized from the Apartment Towers building; until the building is completed, we cannot realize those savings and are forced to make the debt service out of our reserves.

Commissioners commented regarding the importance of completing this building and making it available for occupancy. The housing provided to low-income individuals and families is a service to the community, and having the building off-line is a “community problem” in that it causes a deficit to the affordable housing available in the community.

Commissioner Olsen moved to authorize the Executive Director to move forward with a grant request from the City of Manhattan; seconded by Commissioner Schrock. Motion carried by a roll call vote 5-0-1 with Commissioner Morse abstaining.

VI. NEW BUSINESS

There was no new business.

VII. ADJOURNMENT

There being no further business, the meeting was adjourned

Respectfully Submitted,

Janis Clare Galitzer
Board Chair

JoAnn R. Sutton, PHM, HCVS
Executive Director/Board Secretary

**MANHATTAN HOUSING AUTHORITY BOARD OF COMMISSIONERS
REGULAR MEETING
CITY COMMISSION CHAMBERS
Manhattan, KS 66502
June 21, 2017
5:30 pm.**

Members Present:

Janis Clare Galitzer, Chair
Livie Olsen, Vice Chair
Linda Morse
Jamie Schrock
Ida Jane Leupold

Members Absent:

Phil Anderson
Kennedy Clark

City Commission Liaison:

Linda Morse

Staff Present:

JoAnn Sutton, Executive Director
Mandy Thomas, Asst. Executive Director

I. CALL TO ORDER

Chairperson Galitzer called the meeting to order at 5:30 p.m.

II. OPEN FORUM

- a. Open Form: No new comments or concerns
- b. Presentation of 30-Year Service Award - This item was tabled to the July 2017 meeting

III. CONSENT AGENDA

Vice-Chair Olson moved to approve the Consent Agenda, approving the minutes of the May 31, 2017 Regular Meeting, the Executive Director's Report and the Financial Reports as presented. Commissioner Morse seconded. Chairperson Galitzer asked if there were any questions or discussion regarding the Consent Agenda items.

JoAnn Sutton, Executive Director, provided the board members with a booklet that was sent to all public housing residents regarding the new smoke free regulations. The booklet also contained a draft policy and lease addendum, and a survey for all residents to complete and return to the housing authority by July 14, 2017. Tenant meetings are scheduled to discuss tenant concerns and address their questions.

The Department of Housing and Urban Development (HUD) conducted a Voucher Management System (VMS) Remote Review for the period April 2016 through March 2017. There was one finding, for which corrective action has been implemented. There were also two concerns noted in the review report, which have also been addressed.

JoAnn expressed that the Manhattan Housing Authority received notification from the Department of Housing and Urban Development that the Housing Authority received a Troubled Agency designation, with a score of 50/100, for 2016. JoAnn stated that it was of no surprise to be 'financial substandard' due to the lack of reserves and revenue, however, JoAnn stated she did not believe the occupancy calculations were correct. JoAnn will follow-up with HUD to ensure the correct unit months available and unit months leased used in the calculation were correct and take any appropriate action to correct.

JoAnn also explained to the Board that she and the HUD Field Office in Kansas City participated in a conference call with the Office of Capital Improvements (OCI) in Washington, DC and learned that housing authorities are in fact able to borrow monies without HUD approval and without utilizing the Capital Fund Financing Program (CFFP) or Operating Fund Financing Program (OFFP) as long as the loan is not collateralized. The Office of Capital Improvements referred us to a consultant who has developed agreements for housing authorities working with their municipal governments in such transactions. JoAnn stated she will be making contact with the consultant as well as the City in this regard. Board members present encouraged JoAnn to continue to pursue this opportunity as the board is supportive of this endeavor.

IV. COMMISSIONERS COMMENTS

Chairperson Galitzer commended the staff of the Manhattan Housing Authority for a great job. Commissioner Schrock seconded that comment.

V. OLD BUSINESS

a. Establishment of 501(c)3 (Update/Discussion)

JoAnn and Jamie stated there is no new information to discuss.

b. Green Apple Bicycle Racks (Update/Discussion)

JoAnn Sutton stated that Commissioner Anderson has advised that he has a potential donor(s) to fund the Green Apple Bike Racks at FHI Apartments, LP and Pottawatomie Court. Commissioner Anderson was not present to provide an update on the status of this item.

VI. ADJOURNMENT

There being no further business, the meeting was adjourned

Respectfully Submitted,

Janis Clare Galitzer
Board Chair

JoAnn R. Sutton, PHM, HCVS
Executive Director/Board Secretary



Manhattan Housing Authority

Overview and Update on Apartment Towers Renovation

July 25, 2017



Overview

- Manhattan Housing Authority (“MHA”) Formed in 1969
- Provides housing or housing assistance payments for 537 individuals and families
- Owns and operates 202 units of “Public Housing” (1937)
- Administers 277 Section 8 “Vouchers” (1986)
- Manages 58 units of “Tax Credit” housing (1986)
- Assets of \$10,651,321 (original cost)
- Operating Budget of \$2,989,202
- MHA pays a PILOT on all property annually
 - - generally \$25,000 - \$30,000
- Approximately 513 persons / families on waiting lists

Rent and Income Limits

- Residents in Public Housing, Tax Credit Housing, and the Section 8 program pay no more than 30% of their income for rent and utilities
- Generally HUD pays the remainder of the rent (except Tax Credit housing where residents are typically responsible for all rent)
- Income, based on family size, determines eligibility for the various housing programs
- Generally, limits are as follows for 2017:
 - Family of 1 from \$19,720 to \$39,050
 - Family of 2 from \$22,520 to \$44,600
 - Family of 3 from \$25,320 to \$50,200
 - Family of 4 from \$28,120 to \$55,750
 - Family of 5 from \$30,400 to \$60,250
 - Family of 6 from \$32,650 to \$64,700

Apartment Towers Update

- 88 units of housing in mix of efficiency and 1 bedroom units
- Built in 1974
- Operated at 98% occupancy
- Discovered major mold in 2013
- Building 100% vacant since 2016
- HUD provided \$5,410,572 in 2014
- HUD funds did not cover windows, underground sewer lines, and interior upgrades
- Building cannot be occupied until these open items are addressed
- Construction substantially complete – Suspension of Work Ordered for flooring and installation of ceiling tiles that would be affected by leaking windows
- Lack of occupancy puts annual \$250,000 hole in MHA budget

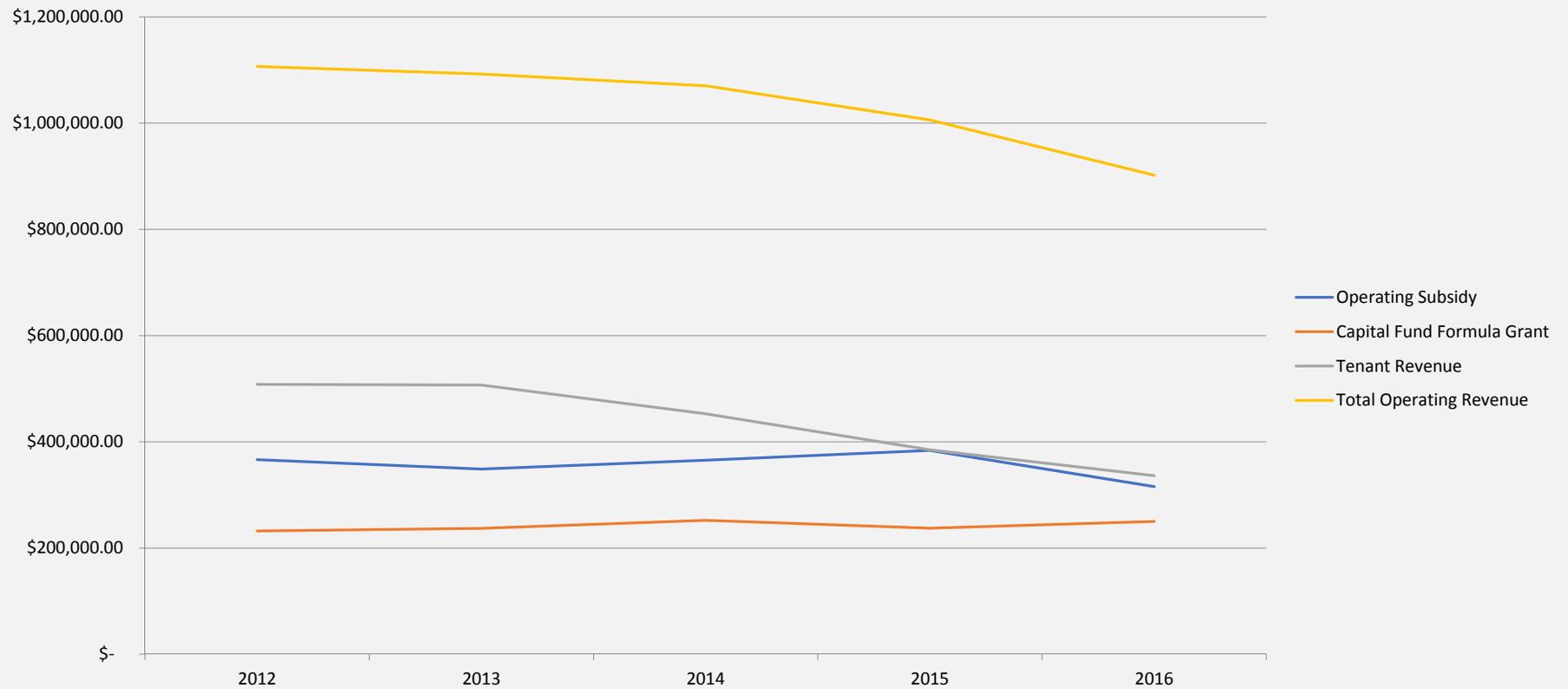
Apartment Towers Update, continued

- Emergency Capital Fund Grant Expenses included:
 - Asbestos and Mold Remediation
 - Relocation and ongoing expenses (utilities, moving, etc.) for relocated tenants and MHA Offices
 - Replacement of HVAC and Expansion of Mechanical Room
 - Replacement of domestic water and interior sewer lines
 - Replacement of damaged sheetrock, interior finishes (painting, ceiling texture, replacement of flooring, etc)
 - Replacement of furnishings (cabinets, vanities)
 - Plumbing improvements (shower enclosures, plumbing fixtures, etc.)
 - Electrical Improvements (Light Fixtures)

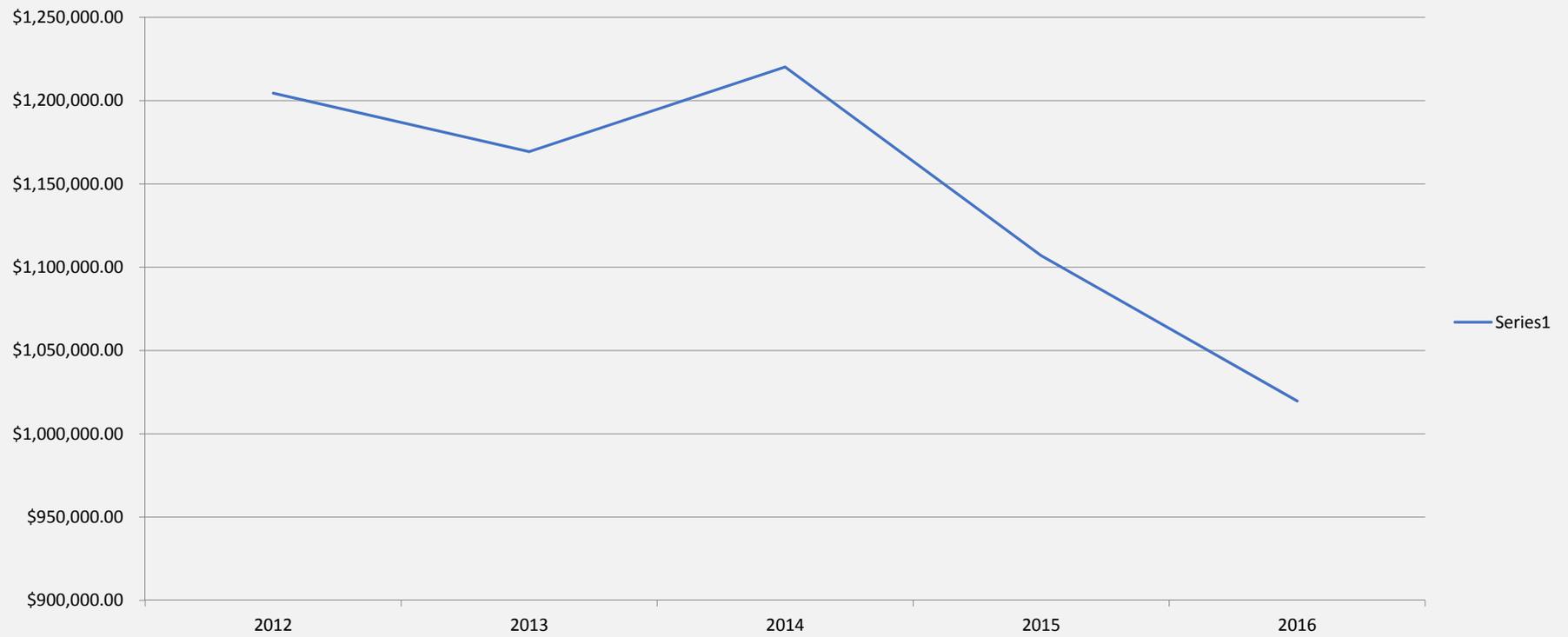
Apartment Tower Update continued

- No additional grant funds from HUD are available
- Cannot use HOME funds
- HUD does allow use of annual “Capital Grant” funds to be used for debt service on loan taken out to complete rehabilitation
- MHA currently receives \$ 264,179 in Capital Grant funds
- Because HUD paid 100% for development of the property, HUD will not allow a lender to place foreclosable debt on the property, but a mortgage to record obligation is allowed.
- MHA cannot raise rent to help pay for rehabilitation
- Challenge is to find a lender who understands the Public Housing program and has flexibility to work with MHA

Financial Impact – Revenue

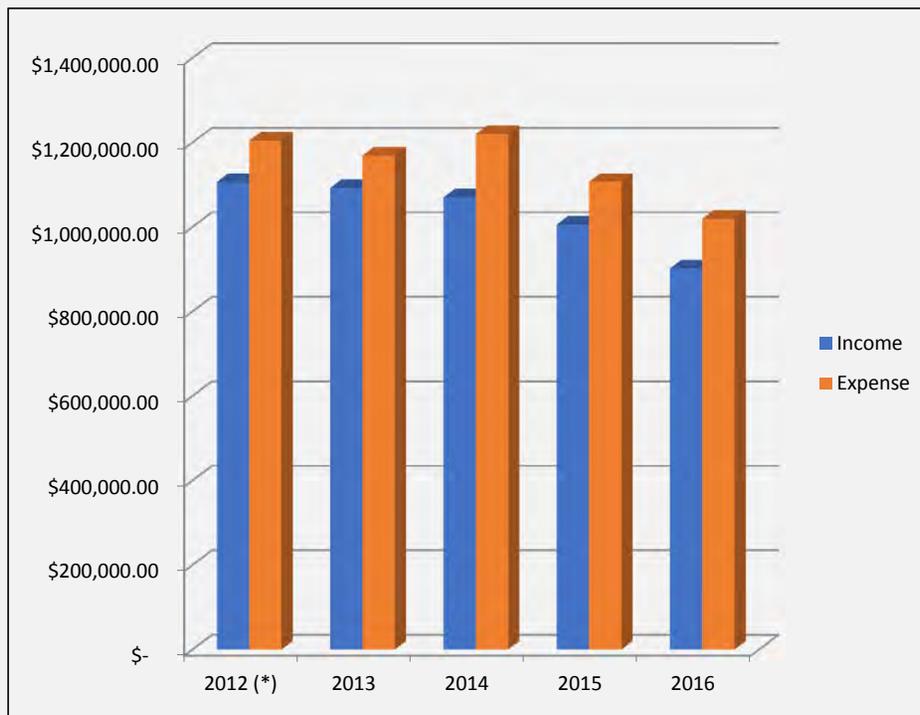


Financial Impact - Expenses

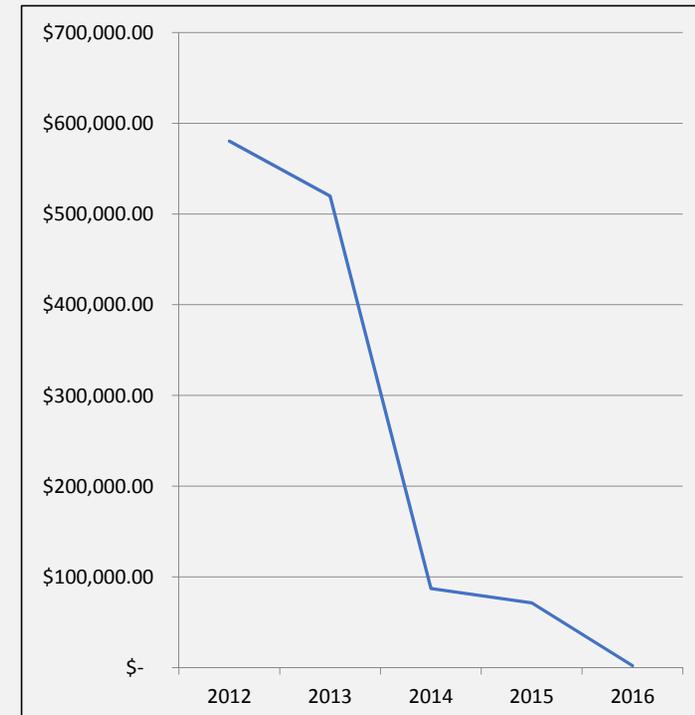


Financial Impact – Operating Reserves

Income / Expense



Reserve Balances



(*) 2012: Overage due to capital improvements, used accumulated funds to help pay for the improvements

The “Ask”

- Work with the MHA on a loan or bond program to allow access to the Capital Fund as source of debt service repayment
- This would need to be “patient capital”
- Funds will be used to get Apartment Towers back on line
- Once MHA operations return to balance, we can seek HUD authorization to use property operating funds to assist in debt service payments
- Assist MHA in application for Federal Home Loan Bank Grant and/or Housing Trust Funds

Thank You

Questions?