

**Minutes of the Special Call Meeting
of the Board of Commissioners
of the St. Petersburg Housing Authority
February 21, 2020**

Commissioner Owens, Chair, called the meeting to order at 8:04 a.m. Upon roll call, the following Commissioners were in attendance:

Present at Roll: Commissioner Stephanie Owens, Chair
 Commissioner James Dates
 Commissioner Jerri Evans (left at 9:27 a.m.)
 Commissioner Terri Lipsey Scott

Absent at Roll: Commissioner Sharelene Gambrell-Davis
 Commissioner C. Knox LaSister III

Staff Present: LaShunda Battle, Acting Chief Operating Officer
 Robin Adams, Asset Management Officer
 Larry Butler, Social Services Officer
 Danielle Carevic, Executive Office Manager
 Audria Davis, Compliance Officer
 Larry Gonzalez, Housing Choice Voucher Officer
 Pamela Hobbs, Procurement Officer
 Andrea Joyal, Accountant

Others Present: Greg Burns, Director, HUD Affordable Housing Transaction Division (RAD Program)
 Kara Williams-Kief, Branch Chief, Office of Recapitalization (RAD Program)
 Ellis Wilson-Henri, HUD Public Housing Regional Director
 Alicia Scott Ford, Jacksonville Multifamily Housing Field Office Director
 Alexandra (Sandy) MacLennan, Attorney, Squire Patton Boggs (US) LLP
 Brian Evjen, Norstar Development USA, LP
 Marianne Edmonds, Public Resources Advisory Group

SUBJECT: Public Forum- No Public Forum

SUBJECT: Approval of Agenda

BOARD ACTION: Commissioner Dates moved for approval of the Agenda, seconded by Commissioner Lipsey Scott. A vote was called:

Commissioner Stephanie Owens:	YES
Commissioner James Dates:	YES
Commissioner Jerri Evans:	YES
Commissioner Terri Lipsey Scott:	YES

The board approved the agenda.

SUBJECT: Small Board Rules

BOARD ACTION: Commissioner Evans moved for approval operating the meeting under Small Board Rules, seconded by Commissioner Lipsey Scott. A vote was called:

Commissioner Stephanie Owens:	YES
Commissioner James Dates:	YES
Commissioner Jerri Evans:	YES
Commissioner Terri Lipsey Scott:	YES

The Board approved the motion.

SUBJECT: Board Workshop

Presentation by Mr. Gregory Byrne, Director, Affordable Housing Transaction Division (RAD Program)

Mr. Byrne provided a thorough review of the various methods available for repositioning public housing portfolios. He explained several factors for the Board's consideration when making a decision about repositioning its Public Housing portfolio, giving three reasons to convert:

- 1) The Public Housing subsidy program is historically underfunded, but was designed to "break-even". Capital Fund Program (CFP) grants are awarded annually to fund capital improvements and upkeep of the properties (among other approved uses). CFP funding has been inadequate to properly maintain aging properties, causing a nationwide backlog of deferred maintenance.
- 2) Preservation tools do not exist for Public Housing. HUD does not allow Public Housing Authorities to mortgage or use Public Housing subsidized properties as equity for loans to fund property improvements. To ensure this, HUD is party to the ownership of the property under a Declaration of Trust. Mr. Byrne emphasized that there is no way to finance improvements under the Public Housing subsidy program, so Housing Authorities are dependent on HUD funding to make necessary improvements. Public Housing subsidy and CFP Funding from HUD is insufficient to sustain properties as they age.
- 3) The other major HUD subsidy program is the more stable and reliable Housing Choice Voucher program (also known as "Section 8"), which was designed to fund private Landlords to house eligible low-income families. HUD has streamlined the regulatory requirements of the HCV program, to make it easier to run and administer without changing the mission of a Housing Authority. The goal in repositioning is to convert all Public Housing developments to the more reliable HCV funding platform through
 - 1) RAD, using the same low Public Housing subsidy (plus a small allowance for CFP) under a HCV platform, or
 - 2) the HCV program using project-based vouchers. Once on the HCV platform:
 - a. The Housing Authority becomes an owner/Landlord. HUD removes the Declaration of Trust and is no longer party to the

ownership of the property (however certain restrictions for the use of the property will apply). The Housing Authority may now enter into a Housing Assistance Payment (HAP) contract to fund its former PH properties. Housing Authorities may now take out loans on the properties to fund improvements. There are 2 options for HCV conversion, that may be used in various combinations:

i. RAD: Mr. Byrnes stated that he and Ms. Williams-Kief administer the RAD program. Under RAD, Housing Authorities receive HAP payments, however, they are based on low Public Housing subsidy allocations at a certain point in time. He noted that in SPHA's market area, the Public Housing subsidy funding is "pretty low". If a property is in good shape, the RAD funding at public housing subsidy levels may be sufficient to support ongoing sustainability. Any Public Housing-sourced reserve funding (subsidy and CFP) may also be used to fund improvements. If major improvements are needed, RAD may not sufficiently generate enough revenue to cover debt service to pay for loans for the cost of the improvements, ongoing operating costs and fund a sufficient reserve for future needs.

ii. HCV-Project Based funding: Under the HCV Project Based voucher, the Housing Authority, as owner, will receive market rate rents, based on HUD's annual Small Area Fair Market Rents (SAFMR). SAFMR is based on actual rents charged in specific zip codes, substantially increasing revenues to pay for real estate taxes, debt service to finance improvements, and operating costs to support long term sustainability.

Mr. Byrne explained that none of the conversion options are required by HUD. Conversion is voluntary, and must be based on the specific needs of the developments. He said each housing authority must evaluate its stock and finances to determine the best plan for the agency to continue to provide affordable housing to eligible families. Other options to voluntarily convert public housing units to the Section 8 platform:

1) Section 18: Allows a Housing Authority to project base public housing units that meet certain requirements. Prior to the spring of 2018, a property had to meet an "obsolescence test" to qualify for a Section 18 disposition, and few properties could meet the test. For example, Jordan Park's Historic Village units met the test and were approved for disposition under obsolescence. HUD recognized the need to convert failing Public Housing developments to the more stable HCV program and amended Section 18 in the spring of 2018 to allow for more options to qualify. The 206 New Jordan Park units would most likely meet the new "efficient and effective" provision. Under this option, HUD will supply tenant protection vouchers for 25% of the units, and SPHA

would use its own HCV funding/stock to project base the remaining units.

- 2) Streamlined Voluntary Conversion (SVC): Housing Authorities with 250 or less total public housing units may “voluntarily” convert its public housing to project based vouchers. In the SVC scenario the Housing Authority receives new Tenant Protection Vouchers for all residents living in the development with an important caveat: the tenant must give their “informed written consent” to project base the vouchers. That means that the tenant may decide to move out with the voucher, or allow the Housing Authority to use the voucher to project base the unit. This process can take time to complete, and may require the use of existing HCV program funding/stock to project base units where the tenant decides to move.
- 3) Last 50 or Fewer Unit Rule: HUD will issue tenant protection vouchers to convert public housing units to HCV project based units for Housing Authorities with 50 or less Public Housing units. This could be used for some portion of the Jordan Park or Scattered Site units after the majority have been converted under one or a blend of the various conversion options.
- 4) De Minimis: HUD will allow up to 5% of the units in a Project to be disposed and project based from the Housing Authority’s existing HCV funding/stock. (This applies to the current RAD application for 16 project based units in Jordan Park.)

Mr. Byrne presented three scenarios for the Board’s consideration for the repositioning of SPHA’s Public Housing properties; the current RAD application, and two new scenarios, using RAD, Section 18, and Streamlined Voluntary Conversion as follows:

Mr. Byrne presented “Scenario One: Base Option” under the current RAD CHAPs

Property	Units	Option	RAD	HUD TPVs	SPHA Local Vouchers
Sunset Oaks	38	Section 18 “50 and Fewer”		38	
Scattered Sites	95	RAD	95		
New Jordan Park	206	RAD and 16 Units of “de-Minimis”	190		16
Subtotal	339		285	38	16
New Elderly Project	60			31	29
Totals	399		285	69	45

Mr. Byrne noted that the new construction of the proposed 60-unit midrise does not change. The Historic Village units have already been approved for disposition under Section 18, with 31 new Tenant Protection Vouchers issued and 29 units approved to be project based with SPHA’s existing stock.

Under the current CHAPs, contribution of SPHA Housing Choice Vouchers is minimized however, he asked the Board to consider if the needs of Jordan Park

can be met with the lower RAD revenue that only supports the original limited scope of work, or if additional improvements and increased revenue are needed to sustain the development over time.

The Chair called for a break at 9:29 a.m. and reconvened the meeting at 9:40 a.m.

Mr. Byrne continued his presentation explaining Choice Mobility. A tenant residing in a project-based unit for one year, may request and receive a preference to be issued a tenant-based voucher, as long as the Housing Authority is currently issuing vouchers. Over time, Choice Mobility has not caused substantial increase of existing tenant based voucher issuance, or hardship to persons already on the waiting list. This means that most residents of project based units are happy with their housing, and do not often use the Choice Mobility option.

He presented “Scenario Two, Section 18 “Efficient/Effective” for New Jordan Park (206 existing units).

Property	Units	Option	RAD	HUD TPVs	SPHA Vouchers
Sunset Oaks	38	Section 18 “50 and Fewer”		38	
Scattered Sites	95	RAD	95		
New Jordan Park	206	Section 18 “Efficient and Effective”		51	155
Subtotal	339		95	89	155
New Elderly Project	60			31	29
Totals	399		95	120	184

Mr. Byrne noted that this option substantially increases the rental revenues, by replacing RAD units with non-RAD local project-based vouchers, allowing for much greater scope of work and higher operating costs. Also, no requirement for tenant consent to project-base the HUD TPVs. This option also increases the contribution of SPHA’s vouchers.

He continued with a third scenario, a Streamlined Voluntary Conversion (SVC) Option.

Property	Units	Option	RAD	HUD TPVs	SPHA Vouchers
Sunset Oaks	38	SVC		38	
Scattered Sites	95	RAD	95		
New Jordan Park	206	SVC		206	
Subtotal	339		95	244	
New Elderly Project	60			31	29
Totals	399		95	275	29

Mr. Byrne explained that this option has the same effect as Section 18, substantially increasing the rental revenue, allowing for an increase the scope of work and operating costs, while at the same time minimizing the contribution of

local (SPHA) vouchers. SPHA would receive 206 tenant protection vouchers, however, this option requires “informed written tenant consent” to project-base the vouchers. He asked the Board to consider how many tenants would be expected to not provide their consent at both Sunset Oaks and New Jordan Park, requiring SPHA to use vouchers from its existing funding/stock to “backfill” for any residents who decide to move. This option extends the timeframe for closing and start of work. He recommends taking our time in obtaining tenant consent so as not to rush them or make them feel like they must decide immediately. Their decision must be “informed”. Additionally, under this scenario the RAD deal for the Scattered Sites must close first, reducing the number of total units to under 250, to be eligible to use the SCV option for the Jordan Park and Sunset Oaks units. He suggested working over the next several months to get tenant commitments whether they will stay or go. Mr. Byrne stated that this process will set back receiving a financing commitment from the lenders until we have a clear commitment from the residents for a specific number of TPV vouchers to be tenant based, and the amount that will come from SPHA’s HCV funding/stock.

Marianne Edmonds stated that with the SVC scenario, the tenant’s option to stay or go would cause issues with the lenders, as they will not be able to count all of the units as having project-based market rate rents. Lenders use the projected rent to determine if there is sufficient revenue for debt service to make the loan work. Lenders prefer project based vouchers as a stable source of funding. Ms. Edmonds stated that when she works with lenders on getting financial commitments for loans, construction loans, permanent financing and the tax-credit investors, they want to see the project based vouchers in order to underwrite the loan and determine if the income stream is going to be sufficient to cover the debt service and make the cash equity partner comfortable. If the income cannot be logged in until we have tenant consent, we have a problem getting commitments from lenders.

When asked when the pursuit of the current CHAP financing plan stopped, Ms. Edmonds responded. When the Tampa Housing Authority was managing SPHA in October 2019, they reviewed the deal and determined it was not adequate to address the needs at Jordan Park. The team stopped pursuing the correction of the current CHAPs, and started reviewing other conversion options, including Section 18.

There was a discussion on the status of the eTool, and it was stated that the tool cannot be more than 6 months to one-year-old, and it would need to be resubmitted, along with other updated documents, such as financing commitments and tax credit letters of intent. A vendor must be procured to perform a new physical needs assessment of the capital needs of each property over 20-30 years and enter the updated information into the eTool. Ms. Edmonds further stated that the deal would need to go through the underwriting process again, including provision of updated documents. Mr. Byrnes explained that the purpose of the eTool is to identify capital needs over the next 20 years. That information is entered into the eTool. The eTool is used to prove that the property will not go “belly up”, and to determine the size of the replacement reserves to support improvements over the next 20 years. The scope of work is not assessed as being

sufficient or insufficient because other professionals have made the determination of the scope of work needed. Using the eTool, Ms. Williams-Kief noted some glitches, or errors that must be corrected under the current financing plan for required reserves. That is where the eTool failed for Jordan Park. He stated that due to the complexity of the eTool, there are very few vendors that can complete it correctly. The RAD staff works closely with all contracted vendors to identify errors and properly enter the required information line by line.

There was a discussion regarding the bond issue that is required for the tax credits. Ms. MacLennan stated that negotiations were stopped with Florida Housing Finance Corporation, and SPHA is eligible for a refund of most of the fees paid to date. The bond issuance through the Pinellas County Housing Finance Authority has been discussed as an alternative to better move the project along due to timing. Mr. Evjan stated that delays will probably cause an increase in the cost of construction, and he was concerned about the lender's reaction to the tenant consent issue.

The availability of voucher funding was discussed. Larry Gonzalez stated that currently, there is funding available to issue approximately 400 vouchers, with families averaging 100 days to locate housing. Normally, families can locate housing in 60 days. Mr. Henri explained how HCV funding is offset by the total value of vouchers issued, and he anticipates changes in the market in the coming months that may affect the rents charged which would affect the number of vouchers that can be issued. Mr. Gonzalez stated that 100% of the HCV funding was utilized in 2018 with approximately 3,100-3,150 vouchers issued.

Commissioner Evans asked about the two vacant lots currently owned by SPHA, and if additional affordable units could be built on them. CEO Battle stated that only one of them is zoned for residential construction, as one of the properties was intended for a Community Center to serve the AMP2 and Affordable properties.

There was a discussion on the staff and consultant's recommendations to be presented at the planned workshop on February 26, 2020.

The deadline for continuing with the current RAD CHAPs was discussed. Ms. Williams-Kief stated that they were giving SPHA time to submit a Section 18 application and the implementation plan. Mr. Byrne and Mr. Henri stated they will work with SPHA on an extended deadline if SPHA chooses to continue with the current CHAPs.

The meeting was adjourned at approximately 11:15 a.m.

Approved and Adopted this 26th day of March 2020.

Stephanie A Owens
Chairperson

LaShunda Battle
Interim Chief Executive Officer