

# MASON COUNTY HOUSING AUTHORITY MINUTES

MINUTES OF THE REGULAR MEETING OF THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF MASON COUNTY (MCHA) HELD AT 9:00 A.M. ON **DECEMBER 3, 2014**, AT THE MASON COUNTY COMMISSION CHAMBERS, 411 NORTH FIFTH STREET, SHELTON, WA 98584

1. **CALL TO ORDER AND ROLL CALL:** Chair Wallace called the meeting to order at 9:07 a.m. Roll call was as follows:

**Present:**

Chair Merrill Wallace  
Commissioner Karen Monroe  
Commissioner Tyler Music

**Absent:**

**Also Present:**

Ben Wickham, Cascade Management, Inc.  
Ken Morrell, Cascade Management, Inc. Portfolio Mgr.  
Becky Rogers, Clerk of the Board

2. **MINUTES:** Approval of the October 23, 2014 regular meeting minutes.

**Chair Wallace called for motion to approve the regular meeting minutes. Commissioner Music/Monroe moved and seconded motion. Chair Wallace called for question. None opposed. Motion carried.**

3. **PUBLIC COMMENT:** Teri Shelton, Ace Toziers Hardware, was present concerning the balance of unpaid invoices submitted to MCHA for the period of June 2013 to October 2013. This has been ongoing since the previous management of Guardian and Legacy. Most of the invoices are from the Kneeland Park project. Invoices were submitted to Cascade staff in attendance.
4. **CHAIRMAN COMMENTS:** Hold until later.
5. **COMMISSIONER COMMENTS/REPORTS:** None

6. **FINANCIAL:**

- 6.1 **Approval of Claims Certification for October 2014**

The Cove Apartments - \$  
Pine Garden Apartments - \$  
Kneeland Park Apartments - \$

**Approval of the Claims Certification for October held until the next scheduled meeting.**

- 6.2 **Income Statement Review** - The Board reviewed the income statements which were provided prior to the meeting from Cascade.

The Coves The net income for the period is \$16,043.

Mr. Wickham, Cascade Management Inc, commented that Cascade is waiting on management approval from the U.S. Dept of Agriculture Rural Development. Chair Wallace interjected it could take up to 90 days to obtain the approval.

Mr. Wickham noted the balance sheet reflects \$39,000 in accounts receivable subsidy, due to the fact USDA Rural Development will not release funds until approval is given to Cascade as

the new management.

Kneeland Park – It was noted there is a net minus income on this property.

Pine Garden -- The US Dept. of Housing & Urban Development has accepted Cascade as the new management of this project.

**7. MANAGEMENT:**

**7.1 Routine Occupancy and Property Inspection Reports** for The Coves, Kneeland Park, and Pine Garden for the months of October 2014.

Mr. Morrell, Portfolio Manager, stated the Coves has 8 vacant units, 3 of which are in screening; 1 unit is ready to go; the other two are within a couple days of being ready to go. They are waiting for finishing out the other units themselves due to damage done to them. It is anticipated it will be 5 days more per unit. There are applicants on every unit. The maintenance supervisor is Kevin Grinds and they are recruiting to hire a second maintenance/janitor/grounds assistant to assist the supervisor.

Kneeland Park --- Mr. Morrell reported 7 vacant units. One unit needs an excessive amount of work; however they have the issue of the roof which needs to be taken care of. They also anticipate 3 - 5 days to get the units ready for occupancy. There are quite a few interests on the waiting list as well and they have begun to process the interests so when the units are ready they can move them in. Chair Wallace asked if Bremerton Housing Authority (BHA) is working with Cascade on the Section 8 project based units. Mr. Morrell reported they have been in communication with BHA. The Section 8 is important, as they are given money. In the past, MCHA has been out of compliance. Pine Gardens – There are 3 vacant units. One unit is ready and the applicant has been through screening and now is going thru the compliance process to get moved in. There are 2 units which will be ready in approx. 3 days.

**8. DEVELOPMENT: None**

**9. UNFINISHED BUSINESS: None**

**10. NEW BUSINESS:**

**10.1 Kneeland Park** – Mr. Wickham, Cascade, stated there is a lot of interest in both Kneeland Park and Pine Gardens. The biggest problem to address is the roof repair. The initial estimates for the repairs are in the range of \$30,000 - \$60,000. Cascade's Project Coordinator Terry Silvas reviewed the projects and the recommendation is to obtain short term bridge financing to get the roof fixed. The units affected by the leak are close to rent ready. However, they cannot rent the units until the roof repairs are complete. The southeast building (Units B304 and B302) are directly affected by the leak. A water leak in the laundry room has affected some of the framing.

Mr. Wickham stated they could get short term bridge financing to fix the roof, then they would be able to turn the units, occupy the units, maintain occupancy for 90 days to stabilize cash flow, then they could go out and shop for a full refi.

The first step is to get a Capital Needs Assessment (CNA) to obtain short term bridge financing. Cascade can complete the CNA and defer payment until there is a full refi. Their typical charge is \$1500-\$2000 and the CNA could be done within the next three weeks. With the CNA in hand, Terry Silvas can work on obtaining the short term bridge financing. There is a possibility a couple of parties would be interested in doing the full refi. It would then be a seamless process.

Chair Wallace stated that Anchor Bank who has the current financing might still be interested in short term bridge financing.

Mr. Wickham noted their goal is to have everything in motion before the end of December. If they can get the process underway, they can proceed with a plan to fix the roof, occupy the units and then proceed with work on the refi. The refi will allow the HA to clear out all the old accounts payable and take care of the deferred maintenance of the properties.

He requested the Board approve Cascade to move forward with a CNA, understanding there is a cost to the property, but that cost is deferred indefinitely into the future until they can finish the whole process. Chair Wallace asked if they could put a number on the process.

Mr. Wickham stated the process is estimated not to exceed \$2,000.

**Chair Wallace called for the motion to authorize Cascade to proceed with a full capital needs assessment for Kneeland Park (physical review of all the building components; a full report with photos and descriptions; and recommendations to include a projection of life cycle of the roof, siding, foundation, parking lot, and including detail on necessary roof repairs). The CNA is not to exceed \$2,000. The cost to be deferred and payable upon receipt of equity via a refinance package. Commissioner Music/Monroe moved and seconded to approve the motion. Chair Wallace called for question. None opposed. Motion carried.**

- 10.2** Pine Garden – Mr. Wickham noted the property has a 20 year HUD contract. They are past due for a rent comp study. Mary Helen has agreed they can pay for this comp study out of the Reserve Fund. They also have talked to Bremerton Housing Authority and received referrals for firms that complete the rent comp study in the area. Once the rent comp study is obtained, then they will submit it to Mary Helen and request a rent increase, retroactive to April 2014. She is ready to approve the retroactive rent increase. This would bring cash immediately into the property to help stabilize the project. This would satisfy HUD's requirement for a rent comp study every 5 years during the 20 year contract period. It will cost approximately \$5,000. They are ready to approve Reserve Funds to get the rent comp study done. It was recommended the board approve Cascade to move forward and engage with the vendor to do the rent comp study and then submit the retroactive rent increase request which would bring the property into compliance.

**Commissioner Monroe/Music moved and seconded to approve motion to authorize Cascade to engage with the vendor for a rent comp study. Chair Wallace called for question. None opposed. Motion carried.**

Chair Wallace stated that as a housing authority, they need to broadcast what it is they want to do, in some type of medium for this project. Mr. Wickham stated they can competitively bid this; however, it will be limited in terms of the firm.

- 10.3** Pine Gardens – Mr. Wickham stated another aspect of the property that HUD is not requiring, but they are in support of, is a loan modification for interest rate reduction. Chair Wallace interjected they attempted this process two times and each time they found out \$30,000 was needed up front and if the loan did not go through the funds would not be returned by the lending agency. In its current shape, Pine Garden was not a viable project. Mr. Wickham stated they understand the project does not have \$30,000 cash available. They know they can get it done for a lot less. There are some things that are needed such as a rent comp study and a capital needs assessment, which could be done in the same way as Kneeland Park and float the cost. There is development work that Terry Silvas has to do that comes with a cost, which also can be deferred. The underwriter will want a fee up front before they

approve a loan. In some cases, it could be \$30,000. Chair Wallace stated there is another issue with Pine Gardens with a second note with the owners and Bremerton Housing Authority has a lien against the property for some of the things they charged to the HA. Mr. Wickham stated the main loan is a 223(f) and is 5 years old. The rates currently are at about 3.7%. There would be \$15,000 - \$16,000 per year of additional cash flow with the reduction in the interest rate. It is unclear, at this time, what the underwriting fee would be. All the other costs associated could also be deferred. They would need to do a CNA. Chair Wallace interjected they had to pay \$100,000 for the prepayment penalty on the original loan. He concurred they should explore this idea. Mr. Wickham stated that a few months ago they met with Patrick Shea, HUD Oregon Program Manager regarding refinancing one of these 223(f) high interest loans and he said that HUD wants these loans to be refinanced. They know they are damaging the projects that are unproductive. They have a funder called Rockhall that they have done two similar projects with. One project has closed already. Rockhall is not a northwest based bank, but Cascade has experience with their financial institution. He would like to move forward with approval to proceed with the capital needs assessment and initial development work to get the process started on the loan modification. The Capital Needs Assessment fee would be similar to Kneeland Park, not to exceed \$2,000 with the cost to be deferred and payable upon receipt of the equity and via a refinance package.

**Chair Wallace called for the motion to give Cascade approval to move forward with the capital needs assessment and the loan modification for rent reduction. Commissioner Music/Monroe moved and seconded to approve motion. Chair Wallace called for question. None opposed. Motion carried.**

- 11. **FUTURE MEETINGS:** Regular meetings to be held the 1<sup>st</sup> Wednesday of each month. The next meeting will be February 4, 2015 with a special meeting on January 21, 2015, if necessary.
- 12. **ADJOURNMENT:**  
**There being no further business, Chair Wallace called for motion to adjourn the meeting at 10:00 a.m. Commissioner Music/Monroe moved and seconded to approve motion. Chair Wallace called for question. None opposed. Motion carried.**

*Betsy Rogers*  
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 Executive Secretary

\_\_\_\_\_ Chair *[Signature]*

SEAL:

