

**Newark Housing Authority  
Board of Commissioners  
August 8, 2018**

**Summary of Meeting Minutes**

**Opening:**

The regular meeting of the Board of Commissioners was called to order at 5:12 PM by the Board Vice-Chairperson, Kevin Heitzenroder.

**I. Roll Call:**

Board of Commissioners present: Nikki Lane, Janaki Ram Ray, Donna Shand, Kevin Heitzenroder and Lloyd Harris. Marene Jordan, Executive Director; Donald Gouge Jr., NHA's attorney; and Marc DeBeary, NHA's fee accountant were also present.

**Note: NHA has two board vacancies (1 Mayoral and 1 Governor Appointment)**

**NHA RAB Members Present:**

Shirley Warrington

**Visitors Present:**

Jean White, Resident of Newark  
Edward Street, NHA Tenant  
Meghan George, NHA Housing Manager

**II. Guest. Tanya S. Dempsey; Vice President – CSG Advisors**

Mr. Heitzenroder, Vice-Chairperson and Chairperson of the Development Committee, welcomed our guest, Ms. Tanya Dempsey, Vice President of CSG Advisors. Ms. Dempsey was invited (as our agency representative) to the Newark Housing Authority to present the results of the feasibility study for the George Reed Village. Mr. Heitzenroder provided a brief overview as to the purpose of the presentation. The feasibility study will include a presentation that discusses all redevelopment programs available for public housing authorities and present their findings.

Ms. Dempsey began the presentation by providing some background. Her area of expertise includes the following:

- 4 years with CSG Advisors
- 10 years with the New York Housing Authority
- 12 years of experience in affordable housing and public finance
- Closed 12 RAD Transactions, almost 1,000 units
- Coordinated an additional 18 RAD Transactions
- RAD feasibility and RAD applicants for 10 projects

- Served as Budget Director for the New York City Housing Authority and managed a portfolio of over \$1 Billion in finances
- Advised housing agencies on organizational transition and portfolio analysis
- Conducted staff trainings on LIHTC, Housing Choice Vouchers and other HUD Programs

The presentation began with Ms. Dempsey outlining what the presentation would cover.

1. An overview of the Feasibility Study Results
2. The background - Financing Tools
3. The George Reed Development Specifics
4. Additional Funding
5. Developer RFP Options
6. Implementation & Next Steps

**Overview:**

- CSG ran several development scenarios to determine feasibility.
- Development options include: rehabbing the existing units, demolishing the existing units and developing newly constructed units at another location.
- Financing strategies include: RAD, TPV, 4% and 9% tax credits.

**Development Options:**

- Acquisition/Rehab – Low GAP Funding Needed
- Demo/New Construction – Higher GAP Funding Needed
- Rehab – Low GAP Funding Needed
- New Construction – Higher GAP Funding Needed
- Disposition w/o Replacement – Not Eligible
- 4% Tax Credits – Low GAP Funding Needed
- 9% Tax Credits – Not Probable
- Debt Only – Not Enough Debt
- Other Financing Models – Low GAP Funding Needed

During the discussion, Mrs. Jordan stated: “For the 9% tax credits, you (Ms. Dempsey) believe they are not probable because they are highly competitive?” She confirmed, “Yes.” Mrs. Jordan added that she feels very comfortable with applying for the 9% credits as she believes procuring the right developer to submit the application is the key. Moreover, she shared that the tax credit application submitted for Alder Creek received a very high score resulting in NHA receiving the 9% credits.

Mrs. Lane was in complete agreement with Mrs. Jordan regarding applying for the 9% tax credits.

Ms. Dempsey responded, “That is fine. My job is to provide you with all options available and what the possibilities may be.”

Mrs. Jordan responded, “Absolutely.”

**Proposed George Reed Development Plan:**

Current Unit Count:  
100% ACC

1 Bedrooms – 36 Units  
2 Bedrooms – 8 Units  
3 Bedrooms – 11 Units  
4 Bedrooms – 1 unit

Proposed Changes:  
4 Phases:

53% Mid-Rise (Phase 1)  
47% Garden Style Apartments (Phase 11-1V)  
Additional Units  
12 Units (6 x 1 bedrooms, 6 x 4 bedrooms)

**RAD Program:**

The Rental Assistance Demonstration (RAD) is designed to allow PHAs to access stable funding by transitioning units and funding from Public Housing to Section 8 by either project based vouchers or project based rental assistance. RAD allows PHAs to access financing to address capital project that will ultimately improve the quality of life for their residents. There is growing interest in RAD. In 2012 there were 60,000 units that converted vs. 455,000 units converted in 2018.

**Section 18 – Demolition/Disposition:**

HUD allows for public housing to be demolished or disposed of with the possibility to rebuild under certain circumstances. If HUD allows for Section 18 demolition or disposition, tenant protection vouchers may become available to preserve the existing subsidy available to residents if PHA can show necessary rehabilitation to a project is not cost-effective or obsolete. HUD generally considers modifications not to be obsolete if the costs exceed 57% of the total development cost for each area. For George Reed Village to qualify, the total development cost must pass \$7.9 m threshold with a per-unit cost of \$142. This rule is fairly new.

Ms. Dempsey shared that she contacted HUD regarding our eligibility to receive Tenant Protection Vouchers under the Section 18. HUD believes we are eligible.

**Tax Credits:**

- A housing subsidy program for low-income rental housing.
- Created within Section 42 of the IRS Code.
- A federal income tax credit that is allocated by each state’s HFA.
- Each state receives an amount of credits annually in tax credits to allocate to projects. Credits are allocated based on population.
- Credits are for 10 years.
- 4% as of right tax credits – about 3/14% - 3/24% of eligible basis.
- 9% competitive – 9% of the eligible basis.
- Investors earn dollar-for-dollar against their federal tax liability, even if they purchase for less.

**Executive Summary:**

CSG was tasked to apply multiple financing tools to the George Reed Redevelopment plan to determine feasibility. CSG ran many development scenarios including rehabbing the existing units and demolishing the building and reconstructing it. CSG also utilized other financing strategies such as RAD vouchers, Tenant Protection Vouchers, 4% Tax Credits and 9% Tax Credits. The most likely feasible GAP analysis for NHA to pursue is the scenario that includes 100% TPV's and 9% tax credits. This particular analysis has a per unit gap cost of \$129,652. This redevelopment is estimated to cost \$28M with a hard cost of \$280K per unit. NHA funding gap is \$8.8M.

Mr. DeBeary asked if this included supportable debt. Ms. Dempsey responded, "No. With the debt, the gap would be \$15.8M." Mr. DeBeary strongly encouraged the housing authority to think about the debt NHA would be responsible for.

Ms. Shand asked, "Does each of the scenarios include the 12 additional units?" Ms. Dempsey responded, "Yes". Ms. Shand also asked, "Are you aware of any housing authority that defaulted in any loans?" Ms. Dempsey responded "No" and added that of the 30 CSG closed they had not had one client to default on their mortgage.

Mr. Hetizenroder stated that he thought the total development cost and the per-unit cost was extremely high. Ms. Dempsey stated "This is new construction". Mr. Hetizenroder asked Ms. Dempsey to revisit the numbers. He then asked Mrs. Jordan if she knew what the total development cost was for Alder Creek. Mr. DeBeary replied that he believed it was around \$11M.

Mr. Heitzenroder asked Mrs. Jordan to find out the total development cost, the per-unit cost, the number of units and what year the units were placed in service.

Mr. Heitzenroder inquired as to the timeframe on utilizing the tax credits before they are revoked. Ms. George (NHA's housing manager) responded with the timeframe as being 2 years. Ms. Dempsey agreed and stated, "The placed in service date must be within 2 years of receiving the tax credits."

Mr. Hetizenroder asked if one can apply for 9% and 4% tax credits at the same time. Ms. Dempsey responded, "No".

Mr. Hetizenroder then asked, "What happens if NHA does not have all the proceeds from the sale of our properties by the time we submit our application for tax credits?" Ms. Dempsey stated, "We would have to apply in phases and the sales would be included in each funding year associated with each tax credit year."

**9% Tax Credit Application Requirements:**

9% credits provide equity of 79% of the eligible cost for a low-income housing project. The pool of 9% credits is very limited, which makes the application process very competitive. Qualified Allocation Plan (QAP) sets out the state's priorities and eligibility criteria for awarding 9% credits. 9% credits cannot be used with tax-exempt bonds.

**9% Tax Credits in Delaware:**

In 2018 the estimated dollar amount is \$2,557,332. Recipients cannot receive more than 50% of the tax credit pool (\$1.28M annually).

DSHA 9% Point Awarded (Total of 210 points)

- Development Characteristics 24%)
- Community Impact (24%)
- Tenant Populations Served (21%)
- Use of Resources (19%)
- Development Team (12%)

**Closing Funding GAP:**

Competitive Funding Sources

- Home
- Housing Development Fund
- Affordable Rental Housing Program
- Federal Home Loan Bank

Mrs. Jordan stated, “NHA’s local bank is a member of FHA. So if need be, we can apply for these funds there, if possible.”

**Note: Mr. Hetizendroder stated for the record that at 6:08 PM Mrs. Lane and Mr. Ram Ray both left the meeting. NHA no longer had a quorum.**

**Closing Funding GAP:**

Newark Housing Authority Available Funds

- Proceeds from the sale of scattered sites
- Capital Fund, Choice Funds, Replacement Housing Factor & Demolition and Disposition Transition Funding.
- Operating Fund Reserves
- Program Income \*ground lease

**Developer RFP Criteria:**

Master Developer Agreement – Developer Responsibilities:

- Several recommendations were given

Newark Housing Authority Responsibilities as a Developer Partner:

- Several recommendations were given

**Implementation & Next Steps:**

Section 18 Process - SAC Application Back up Requirements

- Update PHA Plan (Annual Plan, Significant Amendment, MTW Plan)
- Board Resolution
- Environmental Clearance
- Local Government Consultation
- Resident Consultation
- Offer of Sale to Resident Organization (dispo only)
- Phased Applications (if applicable)

**Information Needed in the Application:**

- Description of Existing Development
- Description of Proposed Removal
- Timetable
- Relocation Plan (occupied units)
- Tenant Protection Vouchers
- PHA Certification of Compliance

**Implementation Plan:**

Schedule:

September 2018 – March 2019

- Appraisal
- Relocation Plan
- Environmental Review

January 2019 – February 2019

- Procure Architect & Engineers

November 2018 – February 2019

- Resident Meetings

September 2018 – December 2018

- Annual Plan

February 2019

- Collect Letters of Support

March 2019

- Submit Section 18 Application

January 2019 – April 2019

- Procure Developer

June 2019 – December 2019

- Plans and Specs

October 2019 – March 2020

- Procure Investor & Lender

April 2019

- Submit 9% Tax Credit Application

July 2020 – September 2020

- Review Developer Documents

October 2020

- Submit to HUD

December 2020

- Close Transaction

The presentation from CSG Advisors, presented by Ms. Dempsey, was concluded. Mr. Heitzenroder reminded everyone, “The reason (referring to the presentation) we are here today is because of our strategic planning meeting. As a result of that meeting we felt the need to increase our housing stock and as a small agency it’s very difficult to add a dozen units which is a big percentage for us. As result, we plan to convert our out dated units into something beautiful that the residents can reap the benefits of which is extremely important to us.”

Mr. Heitzenroder added that he is really excited to have Ms. Dempsey on our team. “She knows what she is doing and we need someone with her experience on our team.” Mr. Heitzenroder thanked Ms. Dempsey for the presentation.

Mr. Hetizenroder opened the floor to our visitors.

Mrs. White asked, “Is HUD trying to get rid of public housing?” Ms. Dempsey said, “Yes.” She added, “HUD realizes that due to the lack of availability of funding they need help from the private sector for public housing authorities to maintain their properties.”

Mrs. White added, “HUD has funding.” Ms. Dempsey said, “Yes, but HUD has a billion dollar back log in funding. There is funding. There’s just not enough of it.”

Mr. Street commented on how NHA should have a program that helps tenants where they can buy into the new development. Ms. George (NHA’s housing manger) responded, “NHA does not have a home buyers program. But, if you are interested in home buyers’ programs, contact New Castle County.”

Mr. Hetizenroder informed that since we did not have a quorum, all agenda items would be tabled until next month with the exception of an update on 26 N. Chapel Street and 101 New London Road.

### **III Approval of Minutes:**

**(a). Minutes from June 13, 2018 - Tabled**

### **IV. Report of the Executive Director:**

**(a). Staff Report: - Tabled**

**V. Committee Reports:**

**A. Report of Policies & Procedures & Compliance & Personnel Committee – Chairperson (Vacant):**

- a). Contract Amendment (Executive Session) – Tabled
- b). Annual Review of Executive Director (Executive Session) – Tabled

**B. Report form Development Committee – Chairperson (Mr. Heitzenroder):**

The Chairperson of this sub-committee, Mr. Heitzenroder, was present for the meeting and reported the following as it relates to 26 N. Chapel Street only.

**Development Update:**

**a). 26 N. Chapel Street:** Mr. Heitzenroder reported that there are some new developments that occurred over the past couple of months regarding this property. “We entered into a contract with one buyer while another buyer wanted the unit. We stayed with the first contact entered into with English Creek, LLC who then (before going to settlement) decided they really didn’t want this property under the current terms and conditions of the existing contract. So we held several conference calls with them and as a result English Creek LLC has assigned the existing contract to the entity who wanted it in the first place (Mr. Nikola Slijepcevic).”

“So in this particular situation English Creek LLC has assigned the contract over to Mr. Nikola Slijepcevic who has agreed to accept the existing terms and conditions of the contract and is now going to settlement at the end of the month. Nothing in the contract has changed.” Mr. Heitzendroder wanted to update the board on this development since the property is scheduled for settlement on August 31, 2018 and will be hopefully sold by our next meeting.

Mr. Gouge confirmed that this property is scheduled for settlement on August 31, 2018 at 9:30 AM.

**b). 101 New London Road:** Mr. Gouge reported that this property is scheduled for settlement on August 31<sup>st</sup> at 10:00 AM.

**C. Report of Finance Committee – Chairperson (Ms. Shand):**

**(a) Monthly Financials - Tabled**

**D. Strategic Planning Committee – Chairperson (Ms. Shand):**

**(a) Committee Meeting Date and Time - Tabled**

**VI. Attorney Issues:**

None

**VII. Old Business:**

- A. From the other Commissioners: None
- B. From the Executive Director: None

C. From Legal Counsel: None: None

**VIII. New Business:**

- A. From Commissioners: None
- B. From the Executive Director: None
- C. From Legal Counsel: None

**IX. Visitors and/or Petition:**

**See page #6**

- X. Executive Session – Closed to the Public – No Executive Session was held
  - a). Contract Amendment – Tabled
  - b). Annual Review of Executive Director - Tabled

**X. Adjournment: N/A**

**Meeting Ended at 6:58 PM**

APPROVED