MINUTES OF THE
GREEN BAY HOUSING AUTHORITY

TUESDAY, DECEMBER 20, 2022, 1:30 PM
City Hall, Room 604 - The Harry Maier Room
Virtual attendance is also available via Zoom.

A. ZOOM MEETING INFORMATION.

1. This item contains Zoom information, instructions, and a link to the Virtual Comment Form.

B. ROLL CALL.

1. William VandeCastle - Chair, Terri Refsguard Vice-Chair, Sandra Popp, Erin Edwards and Stephen Srubas

Present: William VandeCastle - Chair, Terri Refsguard - Vice Chair, Erin Edwards and Stephen Srubas. Sandra Popp joined meeting at 1:35 p.m.
Excused: None

C. APPROVAL OF THE AGENDA.

1. Approval of the agenda for the December 20, 2022, meeting of the Green Bay Housing Authority.

Moved by Terri Refsguard, seconded by Stephen Srubas to approve of the agenda for the December 20, 2022, meeting of the Green Bay Housing Authority. Motion carried.
Yes- William VandeCastle and Erin Edwards, No- None, Abstain- None

D. APPROVAL OF MINUTES.

1. Approval of the minutes from the October 20, 2022, meeting of the Green Bay Housing Authority.

Moved by Terri Refsguard, seconded by Stephen Srubas to approve of the minutes from the October 20, 2022, meeting of the Green Bay Housing Authority. Motion carried.
Yes- William VandeCastle and Erin Edwards, No- None, Abstain- None

E. REGULAR BUSINESS.

1. Consideration with possible action on approval of a Memorandum of Understanding and a Seller's Note Letter with Gorman & Company LLC, for the redevelopment of Mason Manor and 41 scattered sites of affordable housing.

Moved by William VandeCastle, seconded by Stephen Srubas to open the floor for discussion. Motion carried.
Yes- Terri Refsguard, Erin Edwards and Sandra Popp, No- None, Abstain- None

1:35 PM Ted Matkom speaks.
1:56 PM Attorney Paul Dombrowski speaks.

Moved by Sandra Popp, seconded by Erin Edwards to close the floor for discussion. Motion carried.
Yes- William VandeCastle, Terri Refsguard and Stephen Srubas, No- None, Abstain- None

Moved by William VandeCastle, seconded by Erin Edwards to approve of the Memorandum of Understanding. Motion carried.
Yes- Terri Refsguard, Stephen Srubas and Sandra Popp, No- None, Abstain- None

Moved by William VandeCastle, seconded by Erin Edwards to approve of the Seller's Note Letter with Gorman & Company LLC, for the redevelopment of Mason Manor and 41 scattered sites of affordable housing. Motion carried.
Yes- Terri Refsguard, Stephen Srubas and Sandra Popp, No- None, Abstain- None

F. INFORMATIONAL.

1. GBHA Bills.

Stephanie Schmutzer presented the GBHA Bills. No action needed.

2. GBHA Financial Report.

Stephanie Schmutzer presented the GBHA Financial Report. No action needed.

3. Langan Report.

4. Director's Report.

Cheryl Renier-Wigg presents the Director's Report. No action needed.

5. Occupancy Report.

Jayme Valentine presents the Occupancy Report. No action needed.

6. Date of the next meeting January 19, 2023.

G. ADJOURNMENT.

Moved by Erin Edwards, seconded by Terri Refsguard to adjourn the Green Bay Housing Authority meeting. Motion carried.
Yes- William VandeCastle, Stephen Srubas and Sandra Popp, No- None, Abstain- None

H. VERBATIM MINUTES.

- Get started. All right, we've got recording in progress. So, let's call to order the December 20, 2022 Meeting of the Green Bay Housing Authority. Roll call, we have, I think, virtually, and properly has it. So we'll move to item C, and that is Approval of the Agenda. So you all have the agenda before you. Are there any additions or corrections, or modifications? Hearing none, then I would entertain a motion to approve.

- I make a motion.

- I'll make the motion.

- Second.

- Or I'll second.

- [William] All right. We've got a motion and multiple seconds.

- There you go.

- Any questions? Otherwise, all in favor of approval of the agenda signify by saying aye?

- [Members] Aye.

- Any opposed? Hearing none, motion carries. Agenda is approved. Moving onto item D, that would be the Minutes from the October 20, 2022 Meeting of the Housing Authority. That was in your packet. Are there any corrections or modifications? Hearing none, I would entertain a motion to approve.

- Let's do this, Terri, motion.

- I'll make the motion.

- [Stephen] Second.

- All right, we have a motion and a second. All in favor of approval of the minutes from the October 20th, 2022 Meeting signify by saying aye?

- [Members] Aye.

- Any opposed? The motion carries. Then we will move onto item E, Regular Business. And that is, we've got one item, and that is consideration with possible action on approval of a Memorandum of Understanding and Seller's Note Letter with Gorman & Company for the redevelopment of Mason Manor and 41 scattered sites of affordable housing.

- So I wanted to let you know that Sandy is with us. She has joined us for the meeting. So everyone's here, which is great. And after years of work, and a lot of work on a lot of people's parts, we're at a point where we can sign a memorandum of understanding with our developers for the redevelopment of this project. So we've created this GBHA Properties 1, Inc. body. And we set them up scattered site units, and they manage those Up on Mason Manor. This has been a pretty complicated little project. It has a lot of things involved, specifically with financing, ownership. The goal is to make the application for WHEDA tax credits and historic tax credits to assist us in the development of this project. And we have, for Paul and Ted's purposes, and Kaitlin, the way has been set up. GBHA meets first, and then GBHA Properties 1 meets after that. And they have the same agenda item on for approvals. So I don't know, Paul or Ted, which one of you, if you would like to walk us through this memorandum of understanding, and kind of lay out the terms for what we're looking at in order to get this project?

- I think we have to open the floor.

- [William] Yes. Motion to open the floor. I'll make that motion.

- Second.

- And is there a second?

- Is anybody else having connectivity trouble or is it-

- [William] All right, we have a motion and a second. So all in favor of opening the floor signify by saying aye?

- [Members] Aye.

- [William] I am. I'm floating in and out here, so.

- Me too.

- [William] I'm not sure what problem is.

- [Erin] Me too.

- Yeah. I suspect it's on Zoom's end. I heard about every one of three words Cheryl was saying, but it all sounded really great.

- I've asked, the floor is open. I'm not sure if Paul or Ted, which one of you would like to maybe walk us through this memorandum of understanding.

- [Ted] Sure. Cheryl, what I was thinking is maybe, and I apologize, I'm not on video, but I've got the sun streaming in the window here. It doesn't look great. So I'm just gonna keep myself off. You guys kind of probably know what I look like. But I thought I would go, Cheryl, kind of on a, maybe a little closer to the 50,000 foot view, macro type of explanation of what we're trying to do. And then Paul can maybe fill in the blanks if he wants. Does that sound good?

- Sounds good.

- [Ted] Okay, good. So the intent that we are trying to follow with this MOU was always consistent with the RFP that we had responded to. And the RFP that we responded to envisioned, and this is a structure that we emulated from what we did with the Wausau Housing Authority, on one of their towers. And it seemed like it worked pretty well for both parties. And that is a 51, it's really a 50/50 partnership. We technically would have a 51% ownership interest in the entity. The Housing Authority would have a 49%. If you're a Housing Authority board member, you get nervous at that, 'cause you're like, "Hey, this is our asset. Why is Gorman at 51%?" And the reason is because part of the financing structure of this project utilizes the actual asset Mason Manor and the scattered sites and donates it into the project at a very high dollar amount, which actually off the top of my head, I'm not exactly sure what it is, but it's a probably a $9 million number, something like that, that is a seller note that the Green Bay Housing Authority will give to the project. What that does is allow us to drive tax credits off of that amount and that gives us free money, free equity it's called, when we sell those tax credits. So the reason that we have to be 51% versus the Green Bay Housing Authority at 49, is there are conflict of interest rules that require a third party to be in control of that partnership. So we're 51 and then the Green Bay Housing Authority is 49. What's nice about the seller note is there are many, many, and Paul can go through this, probably more appropriate for Paul to reassure you that you have control over the asset, but there are numerous things that the Green Bay Housing Authority will retain in terms of control over that asset. So it's not flailing out in space with a third party. But the structure of the entire deal, it's important. This 51/49 is a managing member interest. And hold onto your seats. It is a 0.01% interest in the LLC we are forming. The tax credit investor, who actually buys the tax credit and gives us the proceeds to do the project, they will be 99.99% based on IRS law. However, the Housing Authority and Gorman will have all management control, and then I'll explain the guarantees in a little bit. But we will have control of the project, but the investor, per IRS tax law, will have a 99.99% ownership. As a board member you're asking yourself, "Geez, it's kind of a scary deal, 'cause we're putting your asset out there for the world." But this has been done very many times before, not reinventing the wheel. And there are mechanisms where the Green Bay Housing Authority can retain control of that asset. Within the 51/49, the idea is that Gorman, who is really leading the architectural design, and I would say instead of property management, I'm gonna say compliance angle of this project, we will make guarantees associated with all of those responsibilities in full, that will protect the Green Bay Housing Authority from that. But then we will, once we're completed with the project, we have leased up, there might be some slight relocation. We're hoping no, based on when we close this project, which will probably be in fall of 2023. Once we close the deal, hopefully we will be able to start construction right away without a relocation. And then once we move people so that we can start with the top two floors and work down, Gorman will be responsible for all of those logistics, Gorman will be responsible for guarantee all of the construction and the budget, and Gorman will be responsible for all of the design. So any compliments we'll take. Any bad things we'll eat, and solve. So it's kind of the buck stops here, which is nice because we've done this many times before in all of those roles and have been successful. So about, I'd say, six months after we complete, it might be a little sooner than that, but let's just say six months after we complete the project, which will be approximately a year and a half, 18 months, we will then go to what's called perm financing. PERM financing is when we are stabilized, the project is complete, all the tenants are in place, and we have achieved a financial stabilization in terms of the ratio between our income and our debt. That ratio is 1.15. Once we have created more income than debt, equal to 1.15 ratio, we can then turn to perm financing. All of the financing will be WHEDA, which will be nice, it'll be a nice transition from construction financing in WHEDA to perm financing in WHEDA. And then once we have completed that 90 day at 1.15, it's called a debt coverage ratio, we will hand over the keys to yours truly, Cheryl and Jayme and the Housing Authority. They will then be your manager. The only wild card in that will be, in my mind, they'll have to get certified for WHEDA. I think all of that'll be very easy for them, 'cause they know exactly what they're doing. But there is a compliance aspect of that in Section 42 that the investor has to be comfortable that Cheryl and Jayme and the Green Bay Housing Authority know how to run a Section 42 program. They may put on Cheryl and Jayme a requirement that Gorman oversees, or a third party oversees, the compliance for a certain amount of years, which may eat into your property management fee, but should be able to be covered by the project. So once again, it's about an 18 month construction period. And then there'll be probably a six month settling in and then we'll have a perm probably six months after that. So you're talking about a 24 month period from start to finish. That's my macro description, Cheryl. I don't know if Paul wants to add anything.

- You know what, Ted. Explain who will own the property and for how long?

- [Ted] Yeah. So we will create an LLC, a new LLC. Once again, it'll be Gorman 51%, the Housing Authority will be 49%, at a 0.01% ownership interest. Then the tax credit entity will own 99.99% of that new LLC. This structure will be in place for 15 years, which is the tax credit compliance period. After the tax credit compliance period, the Green Bay Housing Authority will be able to, as the nonprofit, opt to get the investor, the tax credit investor out. There will be a very, very nominal put price, which means that they can take over the entire entity by paying the investor a very, very small nominal amount. And they will be 100% owner. And in between that, what will happen is, the Green Bay Housing Authority will have a ground lease, they'll have a seller note, they'll have a developer fee that we are sharing the developer fee 50/50, because we are out at stabilization, we will get our 50% fee at that time. And then the Housing Authority will take their 50% developer fee over the 15 years with the cash flow. They may get some at that perm as well.

- Oh, you're muted, Ted.

- Sorry.

- There you go.

- [Ted] Yep. On how much is deferred of that fee, which is a concept of, you have a developer fee that you get for the project. How much is deferred is based on how much gap you need to balance your sources and uses. So if you have a $2 million developer fee, and we each get a million, very, very typically, you would have $500,000 of that $2 million fee deferred. So there would be 1.5 million that would be owed to the parties kind of at closing, it would be at closing, it's in different, like closing, completion, perm, there's all these installation, but the 500,000 would be in the next 15 years after stabilization, you get that through cash flow versus getting it at closing because you needed that $500,000 to balance your sources and uses. It's kind of a gap financing tool. So after 15 years, the Green Bay Housing Authority would be 100% owner. I answered that, Cheryl, in a very long manner, and I apologize.

- And then I think one thing we talked about was we wanted to make sure that we maintained our staff, our staffing, and this MOU will allow us to maintain our staffing.

- Yes.

- The way it sits today at Mason Manor. Now that may change through retirements or people leaving or whatever, but where we are today with our staff and our budget, we are able to maintain our staff, correct?

- [Ted] Yes. Cheryl, thank you for bringing that up. So one of the items that actually delayed our coming to you, the board, for approval, was because Cheryl wanted to make sure that their current operation was funded under this project, and it can be. Now, there is a caveat to that. The answer of is the operating budget, including all of the Green Bay Housing Authority's management expenses, kind of the way it is today, and the way it's staffed today, covered under this project? Yes, period. The one thing that is different than what would be a conventional deal, is under conventional deal, usually the payroll of the manager would be covered, under the project, under payroll. Then you would also have a 6% management fee that would be on top of that payroll, which is kind of cash in the kitty for the Green Bay Housing Authority, kind of unrestricted cash in the project, which is a very nice fee. The staffing levels at the Green Bay Housing Authority, at this point, in order to absorb them into the project as they are today, would require that the fee get transferred into the payroll line, so that the entire payroll would be absorbed by the project and funded by the project. As Cheryl indicated, real quick, before I started talking again, if there is attrition in terms of staffing or any efficiencies that would occur as a result of that staffing going into the future, or reduction or efficiencies, however you want to call it, that would be transferred into a property management fee that the GBHA would get to put in their pocket. And that's not like you gotta go reset the deal. The GBHA would always have a 6% management fee that is actually due to them from the project. It's just could they, the investor and the lender, WHEDA, will not let you realize that fee if your payroll eats into that fee, up to the amount of that fee, if you understand. So you can't just say what your payroll is, whatever it is, then take your 6% fee, Katie bar the door. You gotta have kind of a budget for your payroll. This deal has a budget, which, again, pays for all the payroll, but does not allow you currently to take a fee. But any efficiency or reduction in that payroll amount would allow you to grab that amount of fee, whatever it's reduced.

- Ted, and that's over the 15 year time span is it?

- [Ted] Correct.

- Is it tethered to interest rates or cost of-

- [Ted] No. No, when we close this deal, your interest rate will be determined by WHEDA at closing for 35 years. 35 year AM set interest rate in the bonds, based on the bonds that were sold. You'll have a set interest rate. My gut is, 'cause the Federal Reserve keeps raising interest rates, in a deal I'm closing right now, the rate was 6.15% before the most recent hike. My gut is you're gonna be around 6.5 to 6.75 when we close this deal. That will be your perm rate.

- In the investor ownership component, does that suggest you would likely only have one, or do you still have the capability of multiple investors? Does somebody manage that, or is it one human or entity or ?

- [Ted] Great question. The reason that's such a good question is because we're in Wisconsin. If we were in New York, I'd say one person, no questions asked. In Wisconsin, the demand is a little bit more limited. So sometimes you do, this is a big project, so you're gonna have to find a big gorilla to kind of take all of it. Our two options are probably Chase Bank and Cinnaire Equity Solutions. Cinnaire is little more friendlier to a public housing authority project that the public housing authority wants to take over when it's stabilized. Chase would be more stringent in terms of liquidity, balance sheet, compliance, all of that. Cinnaire will be a little more flexible. So we're thinking of Cinnaire being the sole investor, or Chase being the sole investor. I think we want to go that route with one investor. If you get two, then you'll end up negotiating two, what are called operating agreements, which are only about 153 pages each. And it'd be nice to just do one of them.

- Yeah. So without that component completely understood, how do you get to the 1.15 as opposed to a 1.2 or a 1.1? Where's your debt income ratio coming from, that you're fixing it at 1.15?

- [Ted] Yeah. So what's great about public housing authority projects like this is your rents are set. Let me back up. Your demand is off the charts, number one. Number two, your rents are set. So your 1.15 is really not so much based on which equity provider you pick, either Chase or Cinnaire, to buy your tax credits. It's more based on, like we talked about before, your operating expenses versus your revenue. So if I were to give you a 6% fee, but take all of the current payroll of GBHA, we would never hit a 1.15, based on the revenue we know we're gonna get and the expenses that we would be projecting. So that's why I'm saying like, is it right to say a zero sum game, where if your payroll is what it is today, you can't take a fee, but if it reduces, you can take a little bit of a fee based on that reduction because your ceiling is gonna be what you can absorb as a fee to get to your 1.15. Do you understand?

- I think so, yeah.

- [Ted] Yeah, it's a little complicated, but it's really, what I think about it is, if I'm bringing in income, I have to make $1.15 of every income to every buck I spend. That's the 1.15.

- Right. I understand that. I'm just thinking about, like what's the actual risk? You understand how fast we fill the place anyway. Like there's a wait list. So what's driving the 15% as opposed to a 1.1?

- [Ted] Oh, I see what you're saying. That's just the standard, that's an industry standard. Throughout the whole LIHTC, low income housing tax credit industry, an investor would never agree, oh, and WHEDA, I guess WHEDA would never finance a below 1.15 deal.

- Okay.

- [Ted] Yeah. But you're right, the risk is like nothing. The only risk that you guys would have, as you take over the project after stabilization, is just your operating expenses, right? It's like if your wages go up, if you know inflation keeps going up, you're gonna maybe run into a problem because your income really is kind of capped. Your income will go up every year based on, they're called OCAF and HUD increases, but it's not like you can just set your rate, it's a HUD set rate. Any other questions? I apologize for the complexity.

- Do, just... Trying to understand what you said. Can you clarify the nominal fee at the end of the 15 years? What does that actually mean?

- [Ted] Yeah, it's about, I think what we have is, I'm not exactly sure what the formula is. Maybe Paul would have a better idea of that, but I've always seen it on an operating agreement, that it's $25,000 or something, or you have to have some kind of threshold for partnership law that allows you to exit the 99.99% owner, and then you take 100% of the deal, and it's a very, after the 15th year, nobody really cares, 'cause your tax credits are used up, and you just gotta get them out. So it's a nominal fee that the Housing Authority would pay, which would be, like in your budget, you'd have like a reserve for it, so that you would peg that amount right up front and you'd just like pay it out of that reserve.

- Okay. That's it from me. Sorry, everyone.

- [Ted] Great questions.

- Paul or Kaitlin, do you have any comments with regards to this MOU? Because I know you've both looked at it and worked us through some of the issues.

- [Ted] And I've done a lot of talking and nobody really believes me, so anybody want to talk?

- It's like made up words, Ted, it's not your fault.

- [Ted] Just made, right, it's just legalese. Yeah.

- Well, I can go if you'd like me to. I'm an Attorney at Husch Blackwell. I guess the one thing I would probably mention is that of all the stuff kind of Ted walked through, which I'm sure is a lot to absorb, it's a very common structure and it is kind of the way things are done. So it's not like, "Oh, we're really out there on a limb doing something different." You have an investor who is the 99.99% owner because that's how they are able to claim tax credits, and that's why they put in a lot of equity and buy the tax credits, because for the period they claim tax credits, and then when they're done they will exit. And as Ted said, it's for a relatively nominal number. It's gotta be a big enough number so that it doesn't look like it wasn't a real deal to begin with, if you will. So it's kind of set to where people are comfortable from a partnership tax standpoint that, "Okay, this is an arm's length deal", and it wasn't some sort of grant or other sort of transaction. A couple of other kind of just points that I might sort of hit to maybe make things sound a little bit again more this is sort of the way it is. Ted talked about Gorman being a 51% owner of that managing member, and that's the entity that kind of controls the LLC. Even though you have the investor member who owns the big 99.99% chunk, and they have certain consent rights, the day-to-day is kind of up to the managing member. But even though there's this 51/49 split, if you look in Section 1 of the agreement, we've got a pretty broad definition of major actions of things that the Housing Authority would have to sign off on. Approving sources and uses. The budget. The lender. Terms of the debt financing. Terms of the equity investment. The design of the improvements and the budget and scope of work. So it's not like because you're a 49% owner, you've kind of signed away the ability to have input on these major items. So hopefully those two things make you feel a little bit more like, "Yeah, we kind of know what we're doing here, putting together this MOU." I think Ted mentioned, essentially, I don't know if I, tell me if you disagree with this kind of position, but I think Gorman would want to be out of their role as the 51% owner of the managing member pretty much as soon as they can, in some respects, right? So we've got this concept of, upon project stabilization, they're going to be exiting, and that's the concept we're looking at. I think what Ted alluded to, like with at Chase, they might be more saying, "Well, in order to allow them to exit, we really gotta feel comfortable with the Housing Authority's balance sheet or net worth or what have you." And so those are things that all need to be fleshed out. And you'll see a lot of language in this MOU of, here's what we think are the general outline of the guarantees, but any actual guarantees that we sign up with the investor and the lender need to be acceptable to Gorman and the Housing Authority. And the same thing with the 150 page operating agreement. The investor's gonna drive a lot of that. Everybody's gotta be able to really sign off on that. So this is really kind of trying to set forth so that we don't start going real far down the path with the investor and then we realize that we didn't kind of have an understanding between our developer and us. So it's really trying to say, "Hey, here's the outline of how we're looking at this." We all realize we've gotta get a lender happy and we've gotta get an investor happy.

- [Ted] Right. Yep.

- And this is similar to other MOUs that I've worked on with other developers for other housing authorities, conceptually speaking. So if that gives you some comfort, that we're not kind of out there on a limb doing something groundbreaking here. We're not trying to be reinventing the wheel here. So that's my slightly lower than 50,000 foot overview. And I'm happy to go over any particular clauses if you'd like, but don't want to bore you unnecessarily, unless you want to talk about stuff.

- Are there pre-deal costs? And who's are they?

- [Ted] Yeah, there are. Paul, I don't have the document in front of me. I know we have a provision in there.

- Yep. It's Section 9, if you're looking at the document. And it essentially talks about us needing to agree upon a budget of pre-development costs. Ted, I think you're, it talks about Gorman arranges financing for any pre-development costs, other than authority, legal fees. We're not to go out and kind of start, I think the key here is, communication between the two parties on starting to incur pre-development costs and making sure that we're all on agreement with what we're doing.

- [Ted] Correct. And I'll just tell you what the status of that is. So what we'll usually typically do is take Impact Seven, who is the CDFI in Northern Wisconsin, and they do a lot of affordable housing and kind of gap financing. They do all of our pre-development loans. I'd say probably the pre-development on this deal will probably approach $400,000. We will get a $400,000 line of credit from Impact Seven, and then we'll have a budget that we kinda all agree to. You guys will be a part of that. And then we'll kind of both, as partners, agree to take that loan out. And then it will be, if you guys terminate, I don't know, there's a formula in there that Paul and I agreed to, and to be honest with you, I apologize, it was a month ago or so, it was before Thanksgiving, I can't exactly remember how we ended up, but if we terminate we take all of it. If you terminate, you take some of it, and if we both agree, we split it 50/50, or something like that, that's usually the way it goes. But it's not a small number. We start-

- You just referenced $400,000. Is that 800 total, for 50% on both sides?

- [Ted] No, no, no. It before it'd be 400 total, and then we'd split that.

- 400 total.

- Yeah.

- So the Housing Authority's putting $200,000 pre-development deal up?

- [Ted] Yeah. They're signing on that line for the 200, correct.

- Okay.

- [Ted] We would probably spend it all, but it would be consistent with the budget that we all agreed upon.

- Yep. And that's all communicated before reimbursement regardless.

- [Ted] Correct. Yep.

- Okay. Sorry. Thank you.

- [Ted] Any other questions?

- Well, should we have-

- Anything for-

- Well we have this, we have the seller's note letter that was also executed. I think that's part of the approval as well.

- [Ted] Yeah, and Cheryl, that is, Paul, I'm sorry, do you have the number that was in there? I just don't have it with me, the exact number.

- The loan amount is 16 million.

- [Ted] 16 million. Okay. So let's just use that number. The 16 million represents the value. We literally got an appraisal. I think Cheryl I'll give it to you, but it's an appraisal of someone who actually appraised Mason Manor as is and the scattered sites as is. That is the requirement where we need an appraisal. Then we take that number of 16 million. The Green Bay Housing Authority would in a sense contribute the scattered sites and Mason Manor into the deal for the appraised amount. And then we get tax credits, it's called basis, part of our basis. That computes how much tax credits we get. That 16 million would be part of our basis, which is like free money, 'cause really, the transfer of the asset by paper may go into a new LLC, but really nothing really changes. But we get the benefit of the $16 million on the seller note. That is some more security for GBHA to kind of retain the asset, right? They're always gonna have a seller note on the property for $16 million. So nobody's gonna do anything with that asset without GBHA being right in the middle of it. So that's a good thing, 'cause it's free money, and that was an integral part of the deal, but you need to approve it, obviously, because you're GBHA, and you can't give a seller note unless you approve it.

- [Stephen] Okay.

- Any other questions for Paul or Ted?

- Yeah, I got one more, sorry. They just keep coming in, Bill. Sorry, man.

- No, it's great.

- That's all right.

- [Ted] These are great questions.

- On the actual construction, will you have damages or a damages clause, and who's responsible for them if you're WHEDA funded?

- [Ted] Yeah, so we will have a general contractor contract that will be from Gorman & Company, sorry, Gorman General Contractors, LLC, to the project, and then the project, which will be 51/49, and then the investor, we'll all agree on this contract and sign it together. And then that'll be kind of the budget with the contingency all in it. And then there'll be damages on both sides. If the project terminates, there'll be damages. If we go over, we gotta pay for, it'll have a completion guarantee. So it will be a real kind of third party deal. But it is, we are vertically integrated, so that just like the architect contract, it'll be the exact same thing with Gorman architects with the project. So it'll be all kind of third party. The investor, the bank, WHEDA, and you guys with your council, they all sign off in the terms of that, so it's market rate stuff.

- Okay. So when we are seeing the construction coming to a close and it's time to start planning for populating rooms, and then we miss the deadline on construction, who-

- [Ted] That's our problem.

- That's your problem. Okay.

- [Ted] Yeah, Gorman General Contractors, yep. And then it's Gorman, so you know, the buck stops here, yeah.

- Okay.

- [Ted] And just so you guys know, we'll vacate two floors. We will floors, then move one floor back in, do the next floor, then move that floor back in, then we'll go floor by floor, like a rolling rehab. So it's not like it's complete and everybody moves in. It's like it's a rolling rehab. Yeah, just so you know.

- Yeah, so you're, at worst case scenario, 1/7th, right?

- Yes, exactly.

- Yeah.

- Yep.

- All right. Okay, that's it. Sorry, Cheryl. It looks awesome.

- No, those are good questions.

- Good questions.

- Thank you.

- All right, anything further? Otherwise we would need a motion to close the floor. Do we have that motion?

- [Sandy] I'll make that motion.

- All right, is there a second?

- I'll second it.

- All right. We have a motion and a second to close the floor. Anything further? Otherwise, all in favor signify by saying aye?

- [Members] Aye.

- All right. Any opposed? Hearing none, the floor is closed. Ted, Paul, thank you very much for your information on all of this and we will move forward.

- [Ted] Thank you so much, and thanks for your time. Really appreciate it in this holiday season.

- Wait, you guys are gonna hang around for our next meeting, right?

- [Ted] Okay. What's the next, I'm sorry?

- So we have Green Bay Housing Authority Properties 1, Inc., who has to take that same vote.

- [Ted] Oh, got it, got it.

- Which is a different entity.

- [Ted] Got it. Okay.

- Just hang on. We can finish up this meeting. I'm sorry, go ahead, Bill. I didn't want them to leave.

- [Ted] Yeah, that's fine.

- All right, so we have the explanation for the memorandum of understanding and the seller's note letter that we need to approve. So really kind of two separate items here, but they're obviously interrelated. So do we need to, I think we need to approve them separately rather than as one vote, unless somebody has any other thoughts on that. But I would make a motion to approve the memorandum of understanding. Is there a second?

- I will second that.

- All right, we have a motion and a second. Any further discussion or questions? Hearing none, all in favor of the motion signify by saying aye?

- [Members] Aye.

- Any opposed? We've got the seller's note letter, and I would make a motion to approve that.

- [Erin] I will second that.

- And we have a second as well. Any further discussion on the letter with Gorman & Company? No? If nothing further, then all in favor of approval signify by saying aye?

- [Members] Aye.

- Any opposed? Hearing none, that motion carries. All right. Anything further on this before we move to the informational? Hearing none, then we'll move to informational. And item number one is GBHA Bills. Stephanie.

- All right. Those were sent out with the packet. Those were for October and November. There was nothing new, fun, or exciting in them. Does anybody have any questions?

- [Stephen] Nope.

- Nope.

- [Stephanie] All right.

- All right. Then we'll move onto the Financial Report.

- That was also in your packet. We are fast approaching the end of the year, which marks our halfway point. We're doing just fine right now. No massive things to be worried about. So if anyone has any questions, I'd be happy to answer them.

- Any questions for Stephanie? All right, hearing none, then we'll move onto item number three, the Langan Report, and that's in your packet. Any questions on the Langan Report?

- Nope.

- All right. Hearing none, then we'll move onto the Director's Report.

- So I just want to say before we move to the next meeting, I just wanted to thank Attorney Dombrowski, Ted, Kaitlin, your teams, on working on this to bring this to this board meeting. There's been a lot of questions, a lot of emails, a lot of data shared with getting us to this point. And also I want to just thank the board for making this special meeting so we could get this approved before the end of the year. That being said, we have a number of housing developments, I can report those out in January, that's moving forward in Green Bay. It's a good time. I think Ted's working on one of them on Military. So we've got some affordable housing in the hopper, which is good.

- [William] Great.

- [Cheryl] That's all I've got.

- All right. Then we have number five, the Occupancy Report.

- All right. I think that's in your packet. From Mason Manor, we are moving along. We have successfully, at the end of this month, we'll have a full floor for Ted and his team, and we do have a few more projected to be moving out in the beginning of the year. So we're doing good on our vacancies.

- [Ted] Fantastic.

- Yeah. Great job emptying the place, Jayme. That's great.

- Yeah, it's a hard, like, yay! But not, like.

- [Cheryl] We call it backfilling units.

- [Ted] In public housing, it's actually harder sometimes to vacate than it is to fill up.

- Yes, I wholeheartedly agree with that, based on our COVID restrictions over the last 2-1/2 years. But I can say, two of our tenants that were in Mason Manor are now in our scattered sites. So they see the transition from a one bedroom apartment family to just more of a family housing two bedroom unit. Not everybody is leaving with their own choice, or their own choice, but they are moving to somewhere better. So that's really cool for us.

- Very good. Thank you, Jayme. Any questions on the occupancy report? All right. Any other issues for this meeting before we move to adjournment? All right, just item number six for reference, the date of the next meeting is January 19th. Hopefully we'll all be available on that date, and we don't have to schedule another special meeting. All right. So we're ready for adjournment. Is there a motion to adjourn?

- I'll motion that.

- [William] All right. We have a motion. Is there a second?

- [Terri] I'll second.

- All right, do we . Before we move over to the GBHA Properties 1 meeting. All in favor of adjournment signify by saying aye?

- [Members] Aye.

- Any opposed? The motion carries. All right, we will.