MINUTES OF THE GREEN BAY HOUSING AUTHORITY

THURSDAY, JUNE 8, 2023, 2:00 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

Meeting began 2:11PM
Present:Terri Refsguard-Vice-Chair, Sandra Popp, Stephen Srubas, Excused:William VandeCastle, Erin Edwards, Absent:None

C. APPROVAL OF THE AGENDA.

1. Approval of the agenda for the June 8, 2023, meeting of the Green Bay Housing Authority.

Moved by Stephen Srubas, seconded by Terri Refsguard to approve the agenda for the June 8, 2023 meeting of the Green Bay Housing Authority. Motion carried. Yes-Stephen Srubas, Terri Refsguard, Sandra Popp, No:None, Abstain:None

D. REGULAR BUSINESS.

1. Approval of the Executive Summary for the transaction between Gorman & Company LLC and Green Bay Housing Authority related to the renovation of Mason Manor and Scattered Sites.

Moved by Stephen Srubas, seconded by Sandra Popp to approve opening the floor for discussion. Motion carried. Yes-Stephen Srubas, Sandra Popp, Terri Refsguard, No:None, Abstain:None

Ted Matkom speaks 2:13 PM

Kaitlin Konyn speaks 2:55 PM
Paul Dombrowski speaks 2:56PM

Moved by Sandra Popp, seconded by Stephen Srubas to approve closing the floor for discussion. Motion carried. Yes-Stephen Srubas, Sandra Popp, Terri Refsguard, No:None, Abstain:None

Moved by Stephen Srubas, seconded by Sandra Popp to approve the Executive Summary for the transaction between Gorman & Company LLC and Green Bay Housing Authority related to the renovation of Mason Manor and Scattered Sites. Motion carried. Yes-Stephen Srubas, Sandra Popp, Terri Refsguard, No:None, Abstain:None

E. ADJOURNMENT.

Moved by Stephen Srubas, seconded by Sandra Popp to adjourn the meeting of the Green Bay Housing Authority. Motion carried. Yes-Stephen Srubas, Sandra Popp, Terri Refsguard, No:None, Abstain:None

F. VERBATIM MINUTES.

- For the GBHA meeting on Thursday, June 8th, 2023 to 2:11.

- [Automated Voice] Recording in progress.

- Roll call. Bill VandeCastle and Erin Edwards are both excused. Everyone else is present. Can we have a motion to approve the agenda?

- Make a motion.

- That's Steve. Can I have a second?

- Just Terry? None.

- He's here, Terry.

- Oh, yeah. Okay, that's fine.

- Okay, all those in favor, say aye.

- Aye.

- Anyone?

- Aye.

- Anyone opposed? Great. We'll move on to regular business. Number one, approval of the executive summary for the transaction between Gorman & Company LLC and Green Bay Housing Authority related to the renovation of Mason Manor and scattered sites. So we have Ted Malcom here from Gorman & Company, and we also have attending with us today Kaitlin Konyn. Say your last name, Kaitlin.

- It's Konyn.

- Konyn.

- last name and attorney from Baker Tilley, who's our consultant, and we also have attorney Paul Lebwroski, who is here as well, who has been working with staff and Ted to put together this executive summary. I also, I have reviewed these as well, but we've asked Ted to come and walk us through kind of the financial plan and how this will all work. The executive summary was in your packet, if you want to follow along, but can I have a motion to open the floor?

- Yeah, a motion to open the floor.

- Motion to open the floor by Steve. Is there a second?

- I second.

- By Sandy. Great, all those in favor say aye.

- Aye.

- Aye.

- Aye.

- Opposed nay. Great.

- Take it away?

- Take it away.

- All right. Sandy and Terry, you have the executive summary before you, is that correct?

- Yes.

- Okay, good. I just wanna make sure you got one. So, just to give a a little background here. So these tax credit deals are, as you know, extremely complicated. The whole premise of a tax credit deal is that we get tax credits from WEDA. We take those tax credits and we sell 'em to an investor. The investor gives us cash, we put that cash into the deal. And what that does is that subsidizes our construction costs, which allows us to charge less rent because our debt's less because our construction costs are less, okay? So that's kind of the premise. What we're doing here, we've got two types of tax credits. We have low income housing tax credits, which is from WEDA, and we have historic tax credits, which was something we kind of, you know, evolved in this deal that Mason Manor was historic, went to SHIPO, State Historic Preservation Office, went to the National Park Service. Everyone agreed it was historic because of the story of Mason Manor that had created the Green Bay Housing Authority. And so that in of of itself, not the beauty of Mason Manor, not that it's a beautiful building, but wasn't the beautiful architecture. It was the story that made that historic. So good for us because those historic tax credits really give us more money to subsidize the deal without sacrificing kind of what we want to do in our mission. We're just kind of keeping the units the way they are and updating 'em and we're not really doing anything structurally to the building. So we're pretty good with that. What we're doing today, there's two steps to this process. Today, we are going to look at this executive summary, and talk about what the deal looks like on an outline basis. And that is going to be submitted to HUD for approval. It's called the Financing Plan. And Kaitlin and Paul are both representing you guys in your interest. We kind of submit something as the developer and they look at it and say, yeah, we agree with this, so you should do this and this and this. That's all happened. So this is kind of a final, quote unquote, product. And then we will submit to HUD. HUD, Kaitlin, how many days or months does HUD have to review the financing plan?

- It usually takes them about 60 days to review it.

- Okay. And our goal here, and this is very, very important, that's why I'm saying this right up front, our goal is to, of course, close this as soon as possible, but for sure by the end of the year, because we're holding vacant units open for the construction process to happen. Not a great thing as you're running a rental property, public or private. So we really want to make sure that this gets timely submitted, which would be, you know, in June and that we would close in, we're saying like October, November, okay? On that deal. So that's kind of the 50,000 foot view of what we're doing, okay? This executive summary was drafted to kind of give you a bird's eye view of the transaction and then, you know, I'll probably go through this. Anytime you guys wanna say, "Excuse me, I got a question," you can raise your hand, whatever you wanna do, but if you don't want to, we can go through the whole thing and then ask questions later, whatever, okay. It is extremely, I don't wanna say complicated, it's a sophisticated transaction. So no question is dumb or stupid or whatever. This stuff is not rocket science, but it's definitely not 101 transaction material. It's pretty sophisticated, okay? So with that, I'm just gonna start off with the executive summary. Now, this executive summary has numbers in it, and those numbers are based on this memorandum of understanding that we all kind of entered into way back when it was at November 30th, 2022. It was almost a year, well, not a year ago, six months ago, right? Yeah. Right? Yeah. So, you know, I've kind of numbered this. So if you had any references to the memorandum of understanding in the executive summary, that's what it's trying to compare apples to apples, okay? Of what we're doing. Okay, so the first thing is this formation of a development entity. So this is an important concept for you to grasp. There will be a development entity that's, and just so you know, I made up all these names, so if you don't like 'em, you could probably raise your hand, we could probably change 'em, but I made 'em all up. So we've got GBHA Properties LLC, that's gonna be, 'cause it's your whole portfolio. I thought that name was appropriate. It's gonna be the scattered sites and it's gonna be the Mason Manor building that's going to be in this LLC. This LLC will, quote unquote, kind of own the project. It's going to hire the general contractor, which is Gorman, it's gonna hire the architect, which is Gorman. It's going to hire the property manager, which will be the GBHA. It's going to, you know, run the project, okay? It'll enter into all of these contract negotiations.

- Is there a board attached to that?

- Not a board. There are members, which I'll go over.

- Okay. Okay.

- There are two members really, okay? The first is a 99.99% owner, that is the tax credit investor, okay? Here, which is a tax year executive summary. We have negotiated and we're trying to come to terms with a group called Enterprise, Enterprise I think housing, whatever their name is. And they're gonna be the 99.99% owner, so they're our partner, they're buying the tax credits. You're gonna see, they're gonna put a lot of money, like 25 million into this thing. And they've got people, this is very important to note, sitting in New York, looking at a screen will never come to Green Bay and they're saying whether or not this deal's good or not for them, okay? So they're not people like on the ground, they're not people who really care about Green Bay, they're like financial people, okay? And they're looking at this deal like, "How can we protect our interests if we buy these tax credits and everything goes south and you know, we have to go to Green Bay and rescue the deal?" You know, it's just their mentality. They're credit people, okay? So they're the kind of mentality. The 0.01, which is kind of funny 'cause it's like what? Yeah, the decimal isn't the right place. 0.01% is a managing member entity. And I've just, you know, said that that's going to be the, let's see, GBH Properties MM, which is the managing member. That's us, that's our little family here. And we're gonna be 51% Gorman and company and 49% GBHA. And you're gonna say, well why aren't I 51%? Why aren't you 49%? Well, because I'm doing all the guarantees, so I've gotta kind of control the deal. We're gonna co-manage during this construction period, but, you know, and you guys will be in charge, but we will be co-managing because I have to do that with you, the investor wants me to do that, the lender wants me to do that. And then I have the construction guarantee, I'll have the tax credit guarantee, I'll have the compliance guarantee, the environmental guarantee, blah, blah, blah,

blah, blah. All the guarantees will be on our shoulders during the period from when we close to when we stabilize, and we'll talk about that a little later, okay? When we stabilize means like Raleigh stuff and we're humming, okay? So that's kind of the structure of the deal. Some caveats that you can see here in terms of what we can't do as 51% owner. 'Cause you want to make sure there's carve outs. Like you guys can run anything, okay? But you can't like, sell anything. You can't acquire more debt without our control. You can't file for bankruptcy and you can't change the design scope or specifications of anything in this project that we agreed to at closing, okay? So those are your kind of what you say, you know, ownership levers that you still have control of all of those material aspects of the transaction, and also you're gonna have like a ground lease and you're gonna have things that we'll talk about in a second, okay? So there'll be other things, but that's kind of what your protections are.

- Ted, I have a question.

- Yes, go ahead.

- What are as a shared component with the 0.01%? I mean, that's great. 51, 49 of 0.01.

- Yes. Whatever that comes out be.

- Yeah, yeah, work on that side of the decimal point. What do we have in place from the management entity? What risk management do we have protecting us from the investor that has 99.99%?

- Well, the managing member entity in the operating agreement, there's an operating agreement, which is 125 pages.

- Yeah.

- That will give us the power to run the deal.

- Okay.

- So like, we'll be able to manage as an entity and then we'll have an operating agreement amongst ourselves that says, you're gonna do this, we're gonna do that, you're gonna do this, we're gonna do that.

- Right. Okay.

- But they will give us the MM entity, the LLC, the 0.01, that 99.9% will give us the power to run the deal.

- Okay.

- Okay.

- And it's in the agreement with them in the first place, right?

- Yeah, exactly.

- They're not making decisions here. They're a financial arm.

- Right, and I'm so glad you brought this up because I forgot to say this. Again, we're putting in the financing plan here, but when we close, we're having another meeting here exactly like this, where we're saying, oh, here's the real final deal. Here's the operating agreement, which Paul's gonna review and say, I have read and it is good. Here's all these notes and things I'm referring to that you're gonna give to the project on terms that you agreed to that we're gonna sign off on. So there's another step here where we're gonna actually document all this stuff. This is just the outline where we're going for HUD approval. They say, okay, then we document and that's kind of a firestorm after they say, "Okay, we hire a HUD attorney in DC."

- So this is the summary that's in agreement.

- Exactly.

- And that's coming later on.

- Correct?

- We can vote on that.

- Yep, yep, yep, yep. Good.

- Awesome.

- Okay. Okay, any other questions on the entities? Sandy or Terry? Okay.

- GBHA and the GBHA properties won't just stay. Stay in existence hanging out there?

- Yeah.

- As entities, right?

- Yep, yep, yep.

- Okay.

- Exactly. Yep. Okay, and then number two on the second one, Gorman and company's role in GBH's role in the project. So we're gonna be, as I said, we're going to control construction, we're gonna control relocation, okay? We will control relocation, of course we're working with the manager, which is GBHA to kind of like move people around, of course. I mean, you guys are 110% essential to that to make people happy.

- Move within the building.

- Yeah. Move within the building. So like right now we have 30 vacants, 30 vacants, which is what we need. We are actually doing this on a quadrant basis. We are first gonna do it the first two floors and then finish that the second floor, or the third floor from the top and the fourth floor from the top. We've changed all that because primarily of the end of the mechanical electrical plumbing systems in the building are easier for us to segregate a quadrant. So we're actually doing like the southwest quadrant or whatever you wanna say, the right lower quadrant first. And then we're gonna do, I don't know exactly the exact order, but what's happening is we have 30 units within the building that are going to house the people that move out of that quadrant. And then so all the other quadrants will be filled and this one will be empty. We'll finish everything, then we'll move probably new people into that quadrant. I don't know what Sonya said when they came here, but there's something between do differently. We move people into the new quadrant, then we will take another quadrant, move everybody out and blah, blah, blah. So it's like we go quadrant by quadrant and we use those 30 units, which actually will grow over time, to accommodate the people who are moving out of the quadrant, okay?

- Your utilities adjust that vertically, so-

- Yes.

- So you're going vertically instead of horizontal.

- Exactly. Exactly.

- Shut it down one bay at a time. That makes sense.

- Yep. Exactly. So as we do that, we're gonna be relocation specialist. We will be construction, we're the architect, okay? And as we do all of this, we're gonna have HUD compliance, we're gonna have WEDA compliance, we guarantee all of that. And then at the end, we have to hit what's called a stabilization. And that stabilization is a term of art for every kind of apartment rental property, I'll say rental property, either it's apartment, public housing or anything. It's when you have reached a 1.15 debt coverage ratio. In other words, you're making 15 cents more than you're spending on a dollar basis. You spend a buck, you made a dollar 15, that's 1.15, okay? And that's your DCR. That means your debt coverage ratio ratio, you're stable. Pretty much every single unit's leased. That's really how you get there, okay? Maybe one that's not leased, but you really need everything leased. Then your operating expenses have to be kind of the way you said they were gonna be. 'Cause we're gonna project what those operating expenses are. Right now, I'm guessing as public housing, you guys have operating expenses that you budget, but you go to HUD and say give us reimbursement for whatever we did. Sometimes you had spikes, sometimes you didn't, and you'd kind of reconcile, right? Now we're gonna be on this kind of section eight contract type of thing where, you know, we better hit what we say we're gonna hit. And it's very, very consistent with what we've done in the past. So there's no surprises. But we now have to hit that because it's in the deal. You know what I mean? It's not like go to HUD and say, "Oops, we messed up. Need some cash HUD." No, no, no. They're gonna say, you know, go to another source to get that cash if you go way over and there's operating deficit reserves in this whole deal, there's reserves to deal with that. But bottom line is you have to project your expenses based on your history, sell everybody that we're all competent to manage this thing, and we're gonna be doing it for 15 years. Or you guys gonna be doing it for 15 years? Okay? So it's stabilization. When we fill the building up, everything's leased up, we will exit, i.e, Gorman, will exit. The housing authority will be standing on its own and it will manage it just like it always managed it before. Okay? Should be really nothing other than you'll have completely overhauled new systems. Your maintenance should not be what it was before. You should have a, quote unquote, new building. If we didn't do that, we screwed up somewhere. Seriously, it should be like very efficient. We did this in Wausau at Riverview Towers and they're just like, it's a dream. We have this like 1971 building that was an absolute disaster. We changed all the plumbing, all the electrical, all the heating, and they just like it's running like a smooth bus. So hopefully that's what we're gonna do. And so that's kind of what our role is, and then your role is to add stabilization to take over the entity and run it until the 15th year and it's the 15th year after you place in service. Stabilization and place in service are big words. Place in service is when all your tax credits start flowing, historic and low income housing tax credits. And when you place in service, it's 15 years from when you place in service, so it'll be kind of stabilization, place in service, everything will be kinda all happening at the same time. You know, because we're really gonna be leased up when we're done because we're-

- Because is Enterprise equity buying both?

- Yes.

- Both those tax credits?

- Yes, the historic... There's State Historic, Federal Historic and federal license.

- And I asked this once before, and I'm not sure I completely understand the state and-

- You're jumping ahead now, come on.

- Sorry. Okay. The state and federal, this court tax credits are subject to approval from-

- Yeah, they're already approved.

- They are.

- Yeah, part two is approved.

- Okay, so there's no like... We're just kidding, we missed 40% deal or not?

- Exactly. No, no, we're done. We're all done, and we have to have that because of... You can't do that until... You have to have all that approved before you go to HUD.

- Okay.

- So.

- And the WEDA is the non-competitive.

- Correct.

- 4%. So we're not competing against other projects for tax credits.

- Okay. Okay, so site control. Okay. This is pretty major. So-

- Just to back up to clarify.

- Yeah.

- When you're out of it after stabilization then, then we, the housing authority will get you, like, you'll turn over your 51% portion.

- Correct.

- So that will be the entirety of the 0.01%

- Yes, I'm sorry.

- Yes, you'll be 100% of the 0.101.

- Right.

- We'll withdraw.

- Right now, we're 51, 49 of the 0.01.

- Yeah.

- Again, that will be not all the 0.1.

- And it's for a dollar. It's not like, "Oh, you're going a million dollars 'cause that's the, bah, and it's-

- Right, I was just gonna say.

- And we just hand over the keys.

- And it's for a dollar.

- Yep, now some guarantees will go to you, you know, everything's going to you guys, so there's tax credit guarantees, there's operating deficit guarantees, blah, blah, blah, blah, blah. And that will go to you at stabilization.. But you're right, you give 100%. That's great point. Yep. Okay. Site control. Okay, so.

- Back up now. One more, sorry.

- Yeah, sure.

- Because in portion two, it says we'll be assuming the outstanding debt as well. Do we know what that debt's gonna be?

- Yes, you'll know exactly what the debt is. Actually, I think we're gonna go over it right now.

- Okay.

- Because we're gonna go over the sources of exactly the debt that will be outstanding. You're gonna have a huge construction loan that you're gonna be like, ah, but then all of the tax credit equity and everything go pay that all down. You'll come back to this number that I'm here.

- Okay?

- I mean, this number might change, it's 5 million 130, might be a couple hundred thousand here and there, but I mean that's pretty much what it's gonna be.

- Okay.

- And that is designed to fit what your rents are.

- Okay.

- Okay, and your operating expense. Okay. So site control. So we are going to have, since, let me, yeah, back up. Right now, you own two groups of assets. One is Mason Manor and that is GBHA, okay? The other is the scattered sites, which is... What is that again? Properties One?

- Properties One, GBHA's Properties One.

- Called Properties One, yeah.

- Yep.

- And under GBHA's Property One. And so both of those are going to, quote unquote, lease the improvements, okay. The improvements, I'm sorry, they're gonna lease the land. They're gonna lease the land to the development entity and then they're gonna sell the improvements, okay? I mean, that's just the way it is. You don't have to do that, but the ground lease gives you more protection, number one, for if something happens, you've got leverage there because you are the less order, versus you sold everything and now you're begging to get it back, okay? And the improvements have to be sold because you have to sell something for the tax credits, okay? It's gotta come in. So what happened was we got a appraisal from a very, very reputable firm, national firm called Novogradac. They're kinda like a Baker Tilley, but they're, you know, national and they do this appraisal and they had a $16 million figure that was given to your asset. So congratulations, you have 16 million dollars of assets. And what we wanted to do there is get the appraisal of those assets as is like if you put 'em to market, what would they be? You know, based on the rents you get and the operating expenses and all that. And they came up with 16 million. That's including the land. You're ground leasing the land, they take the land away from that. So that is 14.8 million is actually what the improvements are going to be. Again, remember we're conveying the improvements. So 14.8 million is our number.

- Does Mason Manor have the scattered sites combined?

- Correct. That's the improvements on top of the land.

- Yep.

- Correct.

- Okay. So we are going to, and let me just say this without looking at this because I just want you all to understand this. It's 16.8 million. 1.2 million, you take off for the land, you're at 14.8 million. Then you have an allocation, which we'll see here between the scattered sites and Manson Manor. And then you're going to have a seller note for some of that and at closing, you're going to get paid for some of that. So the 14.8 million, okay, let's just look at 'em as combined 'cause it gets very complicated in here, that's why I wanna do this like this. Combined 14.8 million is the scattered sites and Mason Manor. At closing we have to have, based on tax credit opinion, they used to have three years ago, 14.8 million could just be a seller note from the GBHA into the deal, whatever, it's fine. Now they're saying well then make the seller note real for a tax opinion, 'cause this drives credit, all this drives credit. You have to have a down payment. You actually have to pay it out to the GBHA, some of it. There's two reasons we picked the number $5 million. One is to accommodate that tax opinion. The second is what's called a 50% test, which I'm not even gonna go into, but it's a accounting term. So the 5 million is going to come from WEDA at closing to pay you guys allocated to Properties One and GBHA based on Mason Manor and scattered sites. You'll take that 5 million. Now HUD does not allow you to keep the 5 million, you gotta put it right back into the deal or else they won't let it happen. So you're gonna lend it back into the deal from Properties One and GBHA, okay? So again, $16.8 million, or sorry, $16 million, 1.2 is the land, 14.8 million is gonna be your sale price, in a sense. You're gonna get 5 million of that back. So you're taking 9.8 million is gonna be seller note that goes back to the project, plus the 5 million is gonna go back to the project. So the whole 14.8, it gets a little bit cycled through just because of this tax opinion, okay? I'm sorry, it's the easiest I can explain it. It's a little complicated, and when you go through these sources, hopefully, it makes it a little easier, okay? As we go through these. So as Cheryl indicated, you know, what do we have to pay back? You guys are taking a promissory note. First mortgage, just like your house, when you buy your house, first mortgage, of 5.13 million from WEDA, that's your first mortgage, okay? That's based on your rent and your operating expenses. Could vary a couple hundred thousand as we get into this whole thing, but that's pretty much gonna be what it is. The 5.13 million you will have to pay back. Geez, that's kind of risky, isn't it? Well, you have a government contract on all of your rents. If you don't trust the US government, we're in trouble, but they have to pay those rents so that you can pay your debt. It's about the least riskiest thing you can do in the apartment industry, okay? So that's what that is based off of, the 5.1 million. Enterprise is buying our tax credit, state, federal, historic, and the federal long income housing tax, but it's called Litech is the acronym. They're putting 25 million into this deal, which is fantastic, okay? Would not be able to happen without that. Then all of these seller notes are for Mason Manor conveying it for scattered sites, conveying it just as those numbers that I told you about. We're breaking it out 'cause we have to allocate between the two. And then we also have the subordinate debt, which is the 5 million I talked about. I'm gonna explain it again. $ 16 million, 1.2 comes off for the land. 14.8 million, 5 million's gonna come back to you at closing, that's the subordinate debt. The 5 million allocated between Properties One and Mason Manor, and then the 9.8 million is carved up right above it for Mason Manor and the scattered sites, okay? That's just carving that up. That's how it's gotta be carved up 'cause you own both of those assets with different entities, okay? So this is a little complicated. Then the next one is your GBHA CFP funds that are HUD-controlled. Those are coming into the deal. And then you guys have unrestricted reserves, which you are using at 500,000 that's coming into the deal.

We have a developer fee in this deal, $6 million. The deal is 50% to you guys, 50% to us. Since we're out of the deal, we get our fee for guaranteeing construction and everything before stabilizing, you know, at stabilization, sorry. You guys have what's called a deferred fee of 3 million, and why that's so important is because with the historic credit and the low income housing tax credit, guess who gets 99.99% of cash flow? Enterprise, except you've got $3 million of deferred fee that's gonna suck 100% of that up and you've got a ground lease and you've got promissory notes. So you're gonna suck that up for the whole time, they won't get a dollar, okay? So that's a good thing, but that's how that whole thing is allocated. The last bullet I have underneath is a 50 million deal, okay? Primarily because of the seller, that was so large, but it is a 50 million deal. We drive credit from a 15 million deal. The GBHA loan, this is what we're negotiating right now with Enterprise. I'm not gonna go into this in detail, but I do want to make you aware. The Enterprise again is 99.99% owner and they have this guy in New York who's supposed to, you know, tell you how bad you are so that they can feel good about themselves, and so what they say is, "Hey, you guys don't have enough money in the bank." Or "Hey, this risk is too much for us to handle without somebody else coming in and guaranteeing," while the entire deal from day one has been Gorman is leaving so you guys get the full benefit of the deal after stabilization. It's always been the deal from day one. So there, we're kind of negotiating how that can happen and Enterprise being comfortable, okay? And that's why I have a dollar sign here. We've talked about an additional $500,000 going in there. We've talked about not putting an additional 500 and just having the GBHA financials stand on their own and we're kind of fighting and clawing back and forth. So that's still... It does not need to be resolved for the financing plan. We are putting this in 'cause, as Kaitlin said, it's a 60-day runway. So who cares about that now? We're putting in the financing plan based on our approval if we get it today, and then we'll hatch it on the next 60 days. We will come back to you for final approval on that, okay? Okay, any questions on that horribly complicated stuff? No. Do you?

- I don't think so. I mean, I'm still struggling with the concept of the 1.15 debt ratio on the safest deal ever. And why do we need to carry 15% extra for debt coverage if it's the safest deal with federal government, right?

- Yes. Yes. I think you're right.

- I mean, I understand you guys.

- Yeah.

- That's how it works, right?

- And I think all of that would be negotiated. Like those are all terms and very good terms in terms of negotiating the stabilization release of Gorman, and GBHA on its own. Like what's the risk guys? Come on.

- Well, right, like 15% and I'm like 1.2. Okay, so it's a little better, right?

- Right.

- But I mean...

- I totally get it.

- It's still kind of like there's not a huge risk.

- Not a huge risk.

- Except the 15% percent amount. The only risk factor.

- The only risk that Enterprise would say is like they said it today to me. They said, you know, "Hey, what if operating expenses blow up and you know, there's a nuclear war with Putin in there, all the utilities go well who's covering that?"

- Yeah.

- You know, okay. Okay. I mean, if that's really what you're gonna get bank on.

- So for the duration of construction builders risk is on the development entity?.

- Like I would take builders risk as Gorman for the GC.

- Yeah.

- And put in my budget of GC.

- Okay.

- Yeah.

- Okay.

- General contractor. Yeah, yeah, yeah. So that's in there.

- Okay.

- Okay? Again, let's go to project guarantees number five. So we are doing the completion guarantee. So you know, just like any other general contractor, something's wrong, got warranties, whatever, our problem, okay? You guys come to us should be a turnkey, okay? Construction finance guarantee. We owe anything that hiccups, again, cost overruns. If there's a million dollars of cost overruns, not your problem, our problem. You know, we have the expertise to assess all that. So anything that happens like that, we've gotta figure it out, okay? Gorman comes up with it. Compliance guarantee. Anything that we screw up with HUD or whatever, on our dime, on our watch. Operating deficit, again, this is more of a stabilization, post stabilization concept of operating deficit. But you know, if for some reason our relocation budget or something blew up, that's more of an operating deficit guarantee that we would be responsible 'cause we have to assess the risk before we close. Tax credit delivery, you know, if we don't put this thing placed in service as we projected, we have what's called negative adjusters. That means that they penalize us for not hitting our dates to deliver their tax credits 'cause they have a yield they have to achieve, based on the price they're paying and the timing that they're getting the credits, we have to make that difference up if there is a problem. And then, you know, any other guarantees I can't think of which I say in there, you know, we negotiate those, but those are the ones that are routine and ones that are in this LOI, letter of intent that is attached to. And the only GBHA guarantee from closing to project stabilization would be environmental. This is a very small sliver, but the thought here is that for asbestos, lead paint, all that, our deal. It's like, oh there's an underground storage tank here that we never thought of that you know, is leaking and we never saw, well, you know, that's not really our deal. We've got like the whole building and we know how to assess the building for scattered sites and for Mason Manor. But if there's something in Mason Manor or at a scattered site in the backyard and there's like some, you know, underground storage states has been leaking for 15 years, you know, it's not gonna be our deal. You know what I mean? That's your deal.

- So the environmental review was done though by Stantec?

- Yes, right.

- So we have had environmental reviews done to the property.

- Yeah. Exactly.

- Which they didn't find any risk-

- Yeah, it's called the part 58, and they do phase one and a phase two, which is borings if they file, they did some and they didn't find anything, we're good.

- Okay.

- So we're good. So we should be fine. I mean, it's just a very, very small sliver, but it's a concept like yeah, we're not taking the risk of every single 41 site underground storage tank or something, you know. So it should be very minimal. Following stabilization, GBHA will be on the hook for operating deficit. So you have an operating reserve that will be set up, which is $825,000 and that will be there in case you go over your operating budget, okay? But you don't really wanna touch that. You wanna work within what we budgeted, so that is always a nice little cushion and a comfy little blankie that you have, though for 15 years if you ever get in trouble, okay? So you don't want us to start sucking on that right off of day one. Tax credit delivery. So what happens in this is the 99.99% Enterprise, they buy the tax credit. What's interesting about the loan income housing tax credit and the historic tax credit, two different credits. Historic is five years and the low income housing tax credit is 10 years. You have to have your lights on, that's all you have to do. You don't have to do anything for the historic credit except keep your lights on. If you go dark, you'll lose 'em. So you just gotta keep a light on. For the local income housing taxpayer, you gotta keep leasing up your units.

- Right.

- They can be down for six months if you gotta turn 'em over or something's going on, you had to evict somebody or whatever. But every year, you gotta have somebody in there that's certified and that's your problem you know, as a manager, your duty. So those are pretty simple, they're ordinary course things. You guys wanted to do it for compliance. Of all of those, this is a section 42, IRS section 42 program. A little different than public housing primarily because WEDA has a reporting requirements. You guys will probably hire Baker Tilley, I would imagine, as kind of your compliance manager or you know, somebody, I would think it'd be Baker Tilley, and they'll just make sure that you're doing those reports in a right way, right? Is that right, Kaitlin? Is that possible? I think we did that with Wausau. I don't know if you guys still do that or not.

- I don't think we still do that.

- Oh.

- But we can check...

- There's a lot of third parties that do that. But that's probably what you'd probably want is a little bit of a cushion of someone just looking over your shoulder saying this you do this, you do this and preachy, it's preachy.

- Right, so our staff will get... We'll have-

- Yeah, you'll be training.

- For our staff.

- Yeah, I'm sorry. You guys will all have to be staffed and certified, but we need to take over at stabilization.

- Right.

- Which takes you six months.

- So we make sure the reports are done properly and whatnot, but that'll stay in house.

- Correct.

- We budgeted for that last time we had proper meeting.

- Yep. For the training.

- Staff, see? Paying attention.

- The developer fee was just, we went through that. Our role here, general contract director, co-manager, relocation consultants, number seven, compliance manager and tool stabilization GBHA role from closing this project, stabilization co-manager, after manager, compliance manager, can outsource this. Pretty much covered all, oh, pre-development. Okay, so per the MOU, the board is supposed to approve kind of the pre-development expenses that we've done. Maybe we've did a little bit of lax on that just because we've kind of been running with this thing. I have attached a ledger to your packet, which is really small and I can't read it, but if you want any more information on that, we can get that to you. That is what we've incurred to date, which is this $216,000. We anticipate about $100,000 of legal expense 'cause Paul's so expensive. And then another a hundred thousand dollars of... We have to do a very intensive survey process on all the 41 scattered sites, which people have been calling me about. And so we just have to do that. The industry makes us do that. It'll probably be 400 to 500,000 at the end of the day, which is pretty typical of these deals. The schedule of the project, we submit the financing plan this month, we're closing in October, start construction right when we close, we'll start moving people, you know, that's gonna be the first phase and we start construction. Construction completion, March of 2025, project stabilization, October of 2025.

- Ted.

- Yeah.

- We're approving an executive summary today and there's $600,000 worth of board fee included in our executive summary. Is that what you just said?

- No, no.

- Okay.

- You mean for the pre-development?

- You attach the ledger for the pre-development agreement into the executive summary that we're about to vote on?

- No, no, we have a 50, 50 sharing agreement. I think if it terminates on that.

- Okay.

- Let's see here, let's actually read that. There is a...

- Think the GBHA terminates it.

- All right.

- If we stop the practices then we're out.

- Then you're on the hook for the pre

- Yeah, we'll agree on the budget for pre-development expenses, including legal and connection. Gorman shall arrange financing for all the pre-development costs. So it's on us, you know, through a loan.

- Yeah.

- That we have. Gorman shall pay off subject to reimbursement by the authorities of below. Authorities shall not incur any pre-development cost and connection to the project without first obtaining the approval of Gorman. So like, you know, you can't just go out and just do whatever you wanna do, right?

- Right.

- Gorman shall not incur any pre-development costs in connection by the extent such costs are outside of the agreed upon budget without first obtaining the approval authority. So we never really did that, I don't think officially.

- Okay.

- You know, so I'm thinking like this executive summary kind of is to move forward. If the transaction kind closes, the closing of all, then all the pre-development costs will be reimbursed, okay? By paying off that loan that we got.

- Yeah, got it. All right.

- Blah, blah, blah. That's it.

- No, that's what I-

- Okay.

- Well, we should say if the MOU is terminated is not closing authority to reimbursement 50% of all the pre-development costs connection with the president So reimburses 50% of all approved legal fees or whatever. So it's kind of like a 50, 50 sharing if we have to terminate.

- If the contract-

- Yeah.

- Okay. Okay, sorry. Carry on. Thank you.

- Good question. Attached to your executive summary is a summary, not a summary, I'm sorry. It's a conditional commitment from WEDA to issue bonds and that's the bonds are issued by WEDA in order to lend on this deal to provide construction and permanent financing. You can see here the construction is a $19 million loan. The permanent is a $5 million loan. How do you get from the construction loan to the permanent loan is the tax credit equity. It comes in and it pays that down, okay? In a rough sentence. And then also here is the enterprise letter of intent. Actually, I want to go through this line by line. Cheryl says no flipping away, are you doing that? So we got an executive summary instead. That's a good idea, but you can read this, you know, in your sleep or whatever you want to do. Everything is pretty much in what the executive summary is and what I talked about today. It is just in legal ease and Litech ease and historic ease. So tax credit, ease. And then we had the ledger on the pre-development expenses. So that's pretty much the story of what we're trying to do. But it's a 50 million deal. It's a huge undertaking. Just so you know, the scattered sites, this is very important, scattered sites are not gonna have a huge scope to them. We're trying to minimize the disruption of the residents, and the reason we brought the scattered sites in is to increase the rent role of the entire project, so we could do more with Mason Manor. Mason Manor really needs an overhaul. We have to extend the life of that asset and that means we have to replace all the MEPs, mechanical, electrical, plumbing. And then we also have to, you know, just make life better for the residents on a 20, 23 level. So that thing is really taking most of the cash and the scattered sites are essential in making that rent roll to where we get that $5 million permanent loan from WEDA. So that's kind of why the scattered sites are in here. Not to overhaul the scattered sites but to...

- At the same level. What's the amount though, per scattered site that...

- Right, I think the minimum that is required by the tax payer investor is $20,000.

- Right.

- We right now have I think 38,000 in there.

- Right, so there is money that we can put into scattered sites, roof replacements, windows whatever.

- Exactly. And there is a physical needs assessment that was done by a third party that we submit to HUD that had, you know, a third party uninterested that says this is what you need to do with the scattered sites and this is what you need to do to Mason Manor to make it right.

- Yep.

- So that there is a watchdog in the sense there that is a HUD-certified property needs assessment analyst. So thank you for all those questions 'cause I forget a lot of it. Any other questions that you guys have on this complicated transaction? Or Kaitlin or Paul, do you guys wanna say anything?

- Kaitlin or Paul, you know, do you guys wanna weigh in anything? I mean, I know you've both reviewed this.

- Give us your blessing.

- I reviewed it and that look good to me.

- Yeah, I'm kind of in the same spot. You know, we had a little back and forth on it, but I think it does a good job at, you know, kind of giving you a big picture of what's going on and yeah, we reviewed it and it does make sense and I would say it's consistent with, you know, other Litech deals that get done. There's nothing here that jumps out as being unusual or out of the ordinary or you know, questionable or whatever.

- Okay, great. So I think there's an action item, right?

- Yep, so if there's no other questions, I'll have a motion to close the floor.

- I'll make that motion.

- Sandy and Steve a second, okay. All those in favor say aye.

- Aye.

- Opposed? Okay. Motion carried. So back to regular business. So we do need action on this item, which would be the approval of the executive summary for this transaction.

- I'll make a motion to approve the executive summary as presented.

- Motion made by Steve to approve.

- I'll second.

- Second by Sandy.

- Heck yeah, Sandy.

- Are there any questions or any other comments? Great. All those in favor signify by saying aye.

- Aye.

- Aye.

- Aye.

- Anyone opposed? Great. Motion carries. Now we have to do this again at the meeting immediately following this one GBHA Properties One, right?

- I won't explain everything.

- We won't make Ted explain it all again, but I guess just for information, we'll need to do this again, we're gonna be at Properties One. And the other thing I wanted to say is I'm probably not going to call a June GBHA meeting. This will fill in place for that, so I'll keep you guys posted. So the next step after this now is you're gonna go back and still work on some of these numbers, right? To fill those in on this document.

- Right?

- And then we're probably looking at that. What meeting do you think will bring this back then for final, like September?

- Well, I think the things that need to be negotiated probably are between you and me, it's a staff level kind of thing.

- Yep.

- And then unless there's some major thing we have to come back here.

- Right.

- Assuming there isn't, okay? And it's a staff level kind of discussion, then we would come back probably, geez if we propose in October, it'd probably be a September meeting where we'd say this is where we're going and then you guys would say go, and then we get everything finalized and closed.

- Okay, cool. That's a good timeline. We've been working on this a long time. The tenants will be happy to see improvements.

- Exactly. Yep.

- Okay, so is there a motion to adjourn this meeting?

- We'll make the motion to adjourn.

- I'll second.

- Great, all those in favor to say aye.

- Aye.

- Aye.

- Oppose.? No one, great