MINUTES OF THE GREEN BAY HOUSING AUTHORITY

THURSDAY, JUNE 22, 2023, 10:00 AM

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 (enters at 10:08 a.m.), Terri Refsguard - Vice Chair (exits the meeting at 10:11 a.m.), Erin Edwards and Stephen Srubas
Excused: Sandra Popp

C. APPROVAL OF THE AGENDA.

1. Approval of the agenda for the June 22, 2023, meeting of the Green Bay Housing Authority.

Moved by Stephen Srubas, seconded by Erin Edwards to approve the agenda for the June 22, 2023, meeting of the Green Bay Housing Authority. Motion carried.
Yes- Terri Refsguard, No- None, Abstain- None

D. REGULAR BUSINESS.

1. Consideration with possible action on committing an additional $1.18 million of restricted Mason Manor funds as an additional source for the RAD conversion of Mason Manor and Scattered Sites

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

Cheryl Renier-Wigg presents the possible action on committing an additional $1.18 million of restricted Mason Manor funds as an additional source for the RAD conversion of Mason Manor and Scattered Sites.

Ted Matkom with Gorman and Co. and Kaitlyn Konyn, consultant with Baker Tilly speaks.

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

Moved by Erin Edwards, seconded by William VandeCastle to approve committing an additional $1.18 million on restricted Mason Manor funds as an additional source for the RAD conversion of Mason Manor and Scattered Sites. Motion carried.
Yes- Stephen Srubas, No- None, Abstain- None

E. ADJOURNMENT.

Moved by Stephen Srubas, seconded by Erin Edwards to adjourn the Green Bay Housing Authority - Special Meeting. Motion carried.
Yes- William VandeCastle, No- None, Abstain- None

F. VERBATIM MINUTES

- [Cheryl] Bill VandeCastle is excused. We have, Terri is here. Sandy Popp, I don't see her yet. Erin is here and Steve is here. So-

- [Cheryl] Can I motion to approve the agenda?

- [Steve] Make a motion.

- [Erin] I'll second that.

- [Cheryl] Motion by Steve, second by Erin to approve the agenda. All in favor say "aye". Great, motion carried under regular business. So consideration with possible action on committing an additional 0.18 million of restricted Mason Manor funds as an additional source for the rad conversion of Mason Manor and scattered sites. So do you want to, I mean I can give you like a little kind of synopsis of what we're looking at. Ted Matkom is here. We also have Attorney Dombrowski and Kaitlin Konyn. Hey, how is that?

- [Ted] It's really good.

- [Cheryl] If we have questions but I think what we're looking at doing here as the GBHA is our investors asking us to hold a pool of our unrestricted dollars for, it's a period of 15 years. Right? Which gives them a, There you go. Which would give the investor a level of confidence that we can maintain Mason Manor and we can keep the doors open and keep things running just in case something were to happen in the future, right? Did that, and I believe that is the general synopsis of that. I looked at where we are in our operating budget and I just emailed that out to you guys and like micro print, so I apologize for that.

- [Steve] Like an hour ago or something.

- [Cheryl] Yeah. I wanted, maybe less. So I wanted to make sure that if we were, well lemme back up, looking at what we have for funding, right? The housing authority is putting in $500,000 of our own money and that's gonna be used, spent, for the construction of the building. And then the request is to hold another 1.18 million in restricted dollars for Mason Manor. Hold that in the pool for 15 years. So taking that aside, we will continue to have 1.3 million of unrestricted dollars in the account that we can draw from if we need to. So that was one thing I wanted to see, what we would have balance in our account. And then the other question that I had was where are we gonna be with our budgets when this is done?

- [Steve] Pretty reasonable.

- [Cheryl] Right? Cause I wanna make sure we don't have to use this million dollars. So if you look at our proforma, I'm looking at year three, which is the first year we have to start making a payment, our debt payment of 376,000. And when you look at, once we've paid out our expenses, which we have listed in here, we've got the rent coming in, then we have expenses, that gives us $542,000 to look at. If we take out that loan payment of 376,197, and then we also have to pay a $10,000 asset management fee. Once we take those numbers, we back 'em out. That gives us a balance at the end of the day of 155,000 push money that, right. That we can spend or not spend. But so we're in the black I guess when we're running the shop, which was my concern to make sure that things are gonna cash flow and that we're okay with our existing staff level and kind of what we're doing. Okay. So you look like you have a question.

- [Speaker 2] Well, was the late hit on a big, big number, right? And you're saying we've got it with like 150 grand left over, is that what I just heard?

- [Cheryl] No, no. So I'm, you mean the 1.1 hold 1.18? So we're holding that money. We'll still have 1.3 million in another account. That's not right that we've got to draw from if we need to. And then at the end of the day we're in the black at 165,000

- Per year, right?

- [Cheryl] Yeah, per year.

- Yeah.

- [Cheryl] So we're doing okay based on everything that's happening, right?

- [Speaker 2] And this is, this is a rainy day fund. It's still our 1.2 million after 15 years.

- [Cheryl] Yes, it's still our money at the end of.

- Correct, correct. So if Cheryl, can I just

- [Cheryl] Yeah.

- [Steve] Yeah, I'll make motion.

- [Cheryl] Steve, motion open floor. Erin, second, all those a favor. Great, go ahead Ted.

- Yeah, Cheryl, great synopsis. Let me, let me put a little different tact on it. So right now the deal, as it is structured, has six months operating deficit reserve, it's called operating deficit reserve, of, I'm just gonna round it to $800,000, okay? It's 800 and some change. And that is a very typical sizing for six months of debt service and operating expenses that you would say, "Hey, it's $800,000. That's our operating deficit reserve." And that's a pretty standard sizing of that reserve. Now Enterprise, our investor, who I don't think is being overly unreasonable but they're not being soft on us either. They're saying just based on what, they're a 99.99% owner of this for 15 years. So they just wanna make sure things are viable. So what we thought was the 1.18 that are restricted funds that are for Mason Manor, kind of no skin off our back, if we could dedicate those to the project. Now what we're really doing is taking the 1.18 and the 800 and combining them to a $2 million operating reserve. But technically we can't take the 1.18 and throw it right into an operating reserve. We have to use it as a source in the deal. And then other funds will make that up, add the 1.18 to the operating reserve. But that's all kind of technical on how we use the restricted funds. But in the bottom line, the operating reserve, which is great for everybody, really, is $2 million. And like Steve says, and Cheryl said, you get it back. So it's not a horrible thing, it's just something that you have to restrict your cash to this deal in the operating reserve. And I thought it was no skin off our back because it's already restricted funds for Mason Manor. So, okay, let's, let's do that, appease Enterprise. And then the other part of this, which is kind of more of a detail than an action item, but I think the 1.18 is an action item like Cheryl said in the agenda. I thought it was a perfect way to state it in the agenda. But there has to be, what Enterprise is saying is for viability of the GBHA entity as manager they wanna make sure that you guys have a million dollars of liquidity. Okay? So how do we do that? And the reason is if we all get hit by a bus or what happens in two years how can we make sure that that million bucks is gonna be there at stabilization? Not so much so that the Housing Authority and Gorman are satisfied, but really Enterprise, they're keeping in this LOI, I've been negotiating this ever since we talked before. They're kind of keeping in their LOI, their letter of intent, they get to determine if you've met the million dollars and the 3 million net worth. And I keep saying to 'em, no, no, no, no, no. If you guys at stabilization, if we have a million dollars that we can like say in the bank and let's just talk about how we do that. Do we put that in account or something and not touch it until stabilization, which will be about two years or let's just talk about how we do that. But I would like to say to Enterprise, at stabilization it's a flip of the switch. If the million bucks is in the account, there's no determination by Enterprise of anything. If there's a million bucks in the account the net worth is already there because you guys own the project. So I don't think anybody's debating that. It's the million dollar liquidity has to be like in an account upon stabilization. It's just the flip of the switch. We're out, you're in, it's over. That's the way we need to have this work. Instead of Enterprise making a discretionary decision of whether or not you've made the million dollar liquidity covenant. I just, I put that on the floor because I'm just kind of working through this with Enterprise on what your thoughts are. But I think that's the way we do it. Let me just give you another idea real quick before you start talking. The million dollars in liquidity, what I would say is we've got the $2 million in the operating reserve, maybe we put a million, another million, we have 3 million in the operating reserve. When we hit stabilization, the million dollars gets paid by Enterprise to you guys and you got the million bucks and nobody can say anything. You know, I don't know. That's kind of where I'm going. It's a little bit detailed, but it is your money and I'm kind of negotiating your money. So I wanted to have this discussion. Sorry, I thought it was, I thought it was gonna be face to face, but of course I'm here but you know, kinda discuss how we could achieve that.

- [Cheryl] Dragged us under the weeds here Ted. So, but we have to have this you need to have this decided on, right?

- Yes, yes.

- [Cheryl] Submitted.

- Yes.

- [Cheryl] So I'm thinking that kind of the best case scenario for us is they don't need anything. Worst case scenario for us would be they make us hold this 1.18 in a pool, in an escrow, whatever it is for 15 years that we can't touch. Right?

- They've only said five years. They've only said five years now. So we're good with that.

- [Cheryl] Now we're down to five years, okay.

- Yeah.

- [Cheryl] It was 15, we heard 15.

- It was gonna be 15. We've negotiated down to five. So I wanted to correct you.

- [Cheryl] You got it down to five, okay. So that, I guess, that makes me feel a lot better. I mean

- Right.

- [Cheryl] Not make me happy, but I figured worst case if we needed to hold it, we'd have that million after 15 years to pay to go towards the purchase. We're gonna need to come up with like three or 4 million at that time, right? At the end of that year?

- To purchase?

- [Cheryl] For the buyback.

- No, no, no, no. It, there's no, you will, at the end of 15 years it'll be a very nominal amount that they'll just get out. You won't have to pay 'em back. You'll get all those reserve monies available to you and you'll be flushed with cash at year 15 on this deal.

- [Stephanie] It's never paid back.

- [Steve] Can, let's just zoom out a little bit here. Do we have enough data to make a decision about this today?

- [Cheryl] We have to decide because this plan needs to be submitted by, when is that, right? Kaitlin needs-

- Right.

- [Steve] So our 99.999% owner knows our timeline, put us over a barrel on holding aside 1.2 million.

- So let me, can I just interject for one second? So the, our transaction manager for financing plan submission wants to confirm that the tax credits and the equity are committed. So they're really looking at this Enterprise letter to make sure that we are getting the amount of equity that we say we're getting. She doesn't care about all the other details in that letter. We care about that. So we just need a letter to submit that verifies the litech amount and we can still negotiate some of these things.

- Right, that's true.

- [Stephanie] So my point, the 1.18 million are restricted funds so they can only ever be spent for Mason Manor. This is, that came from HUD. So this is the best way to get that money out of that restriction and into the deal that comes back as unrestricted on the, 'cause when we get that 1.18 million out of the reserve later, that's all unrestricted cash.

- Right.

- [Stephanie] In my opinion, the best way to unrestrict that money and use it for the intended purpose per HUD guidelines and yet have it benefit us in the long run.

- Yes.

- [Cheryl] Look at all the numbers. I was comfortable in holding that 1.18 for 15 years based on the fact we've got another million in the bank. Right. And that that's money that we would we don't really lose it. We're just hanging on it. We can't spend it. Yeah. So it's not like it's.

- [Stephanie] You still have a good cushion.

- [Cheryl] The cushion is still there. So as much as I didn't like the 15 years, I felt like we could do that as an organization. Hearing that it's five makes me feel a lot better. Better because then it's just five years that we're kind of not spending the money that we have restricted and actually it does lose its connection to Mason Manor by doing this five year deal comes back unrestricted.

- Yeah, I think Stephanie said it very well. that you get this restricted funds into the deal and that comes out unrestricted. It's a great, it's actually a great cycle of cash for that 1.18. And as Kaitlin indicated, we have to negotiate, which we don't have to do now. I just wanted to put it in your mind, we don't have to really decide about the million dollar liquidity situation right now. It will, we will come back to it and we'll have to have a final decision on it. But it is, we just have to figure out a way to do that of how to ensure everybody that you guys will have a million dollar liquidity at stabilization. But I think it's a great way to use the 1.18 'cause like Stephanie says, it'll go into the project as a source, you will use it and then it'll come out as unrestricted.

- [Steve] Right, so right now it's a restricted fund for Mason Manor anyway.

- Correct, correct. It would be a restricted fund for however

- [Stephanie] We could lose it if when Mason Manor ends we're no longer public housing, we could lose it if we don't spend it.

- [Steve] We're no longer public housing at the end of, I mean lose it how? We no longer exist.

- [Stephanie] Where's our one million?

- [Cheryl] Yeah, I was not aware of that, but that makes it even better case.

- [Cheryl] Okay, so what needs to be voted on today then is that, is the commitment of the 1.18.

- Correct.

- [Cheryl] Project to be held not really as a hard cost, like the 500, what we originally did which is actually going into the construction. However you're gonna use it, the 500,000 is going in. The 1.18, we hold it in house for a period of time and then it's just, we can spend it. We can't spend it within the five years. That's the whole point of this. We can't touch it after five.

- You can touch it with the express written approval of Enterprise, but then you have to replenish it. So no, you can't touch it.

- [Cheryl] So it's really a commitment to our investor. That for five years. Okay.

- [Steve] Five years.

- [Cheryl] Five years.

- [Steve] Not 15. 1.18 essentially one restricted file to another.

- [Cheryl] Yep, yes.

- [Steve] This is really nice of them to hit us up pretty late on here when we have like zero choice in the matter, right?

- Yeah, that's usually what happens in these things. Let me tell you.

- [Steve] I see that Bill hopped on.

- [Cheryl] Yes, hi Bill.

- [Steve] Good morning Bill.

- Good morning.

- [Cheryl] Lost Terri but we got Bill, so that works for quorum.

- [Steve] Bill, does this all make sense to you?

- Yes.

- [Cheryl] Well, and we also have attorney Dombrowski, our consultant and our attorney has been, they've been reviewing all of this with Ted as well. Which gives me a comfort level that this is not out of, I guess, the ordinary for these development deals to happen.

- Yes, that's correct.

- [Cheryl] Yeah.

- [Steve] Okay.

- [Erin] I'll motion that.

- [Steve] Erin's getting after it. All right. Yeah, it just, okay.

- [Cheryl] So we have a motion to approve committing the 1.18 million of restricted funds for five years. Oh yeah, sorry, I need a motion to close the floor.

- [Erin] I'll motion.

- [Cheryl] Erin motions to close the floor. Second by Steve. All those in favor say aye.

- [Steve] Thank you Ted.

- Thank you guys for your patience.

- [Cheryl] Running the meeting for Terri. So

- Thank you for your patience everybody.

- [Cheryl] There's a motion on the floor by Erin to approve the 1.18 million of restricted Mason Manor funds to go towards this project for a period of five years.

- I will second that.

- [Cheryl] There's a second by Bill. Any discussion on that? All those in favor signify by saying aye. Anyone wanna pause? Great, so I'm is this? Ted? I spoke before already but I'm assuming we won't need to meet again for a while.

- Correct. Now, now what goes in is Cheryl has been authorized by board resolutions to sign commitment letters for the sources we just discussed. And we will prepare those and have her sign those on behalf of GBHA. And then Kaitlin is putting together this entire package called the financing plan that will be submitted to Mary, who is our transaction manager. And then, they just start putting it through the bureaucratic process of HUD review. And I know Kaitlin, you can talk about that probably even more better than I can in terms of timing and what happens after that.

- Yes, so once we submit, it's about 45 to 60 days for our transaction manager to review all the documentation and they'll probably, every transaction manager is different. So some will either send questions piecemeal or some will like put a Word document together with any questions or additional documents they need and actually call. So really I'm not sure I haven't worked with Mary before but I think she's really eager to get started 'cause she's actually reached out to me twice asking where our financing plan is, which is great. So I think once we get everything in, she's gonna start reviewing it right away. So it's possible that this process could go a little quicker.

- Great. So we're moving forward finally and hopefully we'll be in the ground, I thinking by the end of the year. Or by the end of the year, so great. I don't think there's anything else.

- [Steve] I'll make a motion to adjourn this meeting.

- [Cheryl] Steve's got a motion to adjourn this, seconded by Erin. Those in favor say aye. Opposed, nay. Great, thanks everyone for coming. I appreciate you.

- Thank you.

- [Cheryl] Thanks guys.

- Appreciate it.

- [Cheryl] Bye.

- Take care.