

MINUTES OF A REGULAR MEETING OF THE
 COMMISSIONERS OF THE
 CITY OF ROANOKE REDEVELOPMENT AND HOUSING AUTHORITY

The Commissioners of the City of Roanoke Redevelopment and Housing Authority met for a regular session on Monday, July 22, 2019, in the offices of the City of Roanoke Redevelopment and Housing Authority, 2624 Salem Turnpike, NW, in the City of Roanoke, Virginia.

I. CALL TO ORDER – ROLL CALL

Chair Garner called the meeting to order at 3:00 p.m. and declared that a quorum was present.

PRESENT: Commissioners Anguiano, Burruss, Garner, Karnes, Witten
 Commissioner Kepley arrived after roll call.

ABSENT: Commissioner Smith

OFFICER PRESENT: Mr. David Bustamante, Secretary-Treasurer

ALSO PRESENT: Jackie Austin, VP of Finance/CFO; Betsy Crow, VP of Human Resources and Administration; Frederick Gusler, Director of Redevelopment and Revitalization; Crystal Hall, Community Support Services Director; Mark Loftis, Legal Counsel; Kelly Martin, Senior Executive Assistant; Evangeline Richie, VP of Housing; Joel Shank, VP of Operations;

Chair Garner welcomed everyone to today's meeting.

REPORTS

1. Financial Report

Responding to Chair Garner's inquiry regarding pages 43 and 47, Revenue

and Expense statements and the Accumulated, Ms. Austin explained that those pages are referring to the Capital Fund budget. The City of Roanoke Redevelopment and Housing Authority (RRHA) has replacement housing grants that have not had expenditures charged to them at this time. Ms. Austin explained that these budgets are projected through the month of June or July and the amounts are prorated over each month. She stated that the money is drawn down as it is spent. Mr. Shank will begin building 4 duplexes at Hurt Park and when he begins charging expenses, the activity will be reflected at that time.

In response to Commissioner Burruss' question about the zero balance, Ms. Austin stated that it is a zero balance now because there are no expenditures and until RRHA does have expenditures, the money cannot be drawn down.

Chair Garner asked if there were any additional comments or questions. There were none.

2. Executive Director's Report

Mr. Bustamante reminded the Board that next month, RRHA will be presenting the proposed operating budgets for review and a public hearing will be held during the same time. The operating budgets will be going out with the board packets. In addition, to that, the U.S. Department of Housing and Urban Development (HUD) has posted two grant opportunities, one for Veterans Administration Supportive Housing (VASH) vouchers and one for Mainstream vouchers. RRHA was able to secure a letter from the Salem Veterans Administration indicating their willingness to work with RRHA and indicated a need for five extra VASH vouchers. Currently, Ms. Hall is assisting Mr. Bustamante in developing the Mainstream voucher application and RRHA will be

requesting approximately 150 Mainstream vouchers to help residents in the community obtain affordable housing. This application is due in September 2019.

Responding to Commissioner Karnes, Mr. Bustamante stated that RRHA currently has one hundred and eight VASH vouchers and only seven are not housed, but are looking for housing.

Mr. Bustamante mentioned that on Wednesday, July 24, 2019, RRHA will have a visit from the Virginia Community Development Corporation (VCDC). The discussion will be concerning Stepping Stone reaching its fifteen year compliance period which ends December 31, 2019, and RRHA's options concerning the property.

In response to Commissioner Burruss' request for an update concerning the Melrose Library and when the City will make a decision, Mr. Bustamante stated that at this point he is unaware of a final decision being made and that RRHA is still being considered. He said that Roanoke City plans to take the matter to the City Council in August or September.

Mr. Bustamante responded to Vice Chair Anguiano, stating that he would provide library acquisition talking points to the commissioners in case they have interactions with City Council

Responding to Chair Garner's question, Mr. Bustamante stated that RRHA has not received a response from the owner concerning the five lots that are available for purchase. Mr. Gusler added that RRHA has authorization and the approval to purchase four lots nearby that may be able to tie in with the Rental Assistance Demonstration (RAD). He explained that the lots are located on 29th Street above the Central Office and a title search is being conducted on one parcel at Bluestone. RRHA will have to

determine if the purchase of the four lots is beneficial to RRHA.

Chair Garner asked if there were any other comments or questions. There were none.

3. Staff Reports

Mr. Gusler provided a recap of RRHA's status concerning RAD. RRHA applied for the RAD program and received a Commitment for Housing Assistance Payments (CHAP) for Lansdowne.

Mr. Gusler explained that the next major deadline is the financing plan. When applying with Low Income Housing Tax Credits (LIHTC), RAD allows the agency to apply for those credits, get the award and then submit a financing plan within a specified period of time. These next steps would need to be taken if RRHA is to go through with converting public housing into voucher based housing. Right now, there is not a real deadline and the application is essentially on hold.

Mr. Gusler said that RRHA has determined after a comprehensive review that the current RAD application is not viable and would be a bad decision to continue with. For the 40 units that are in phase one, RRHA was relying on the site across the street and the existing site here at Lansdowne in the 2600 to 2900 blocks on Salem Turnpike. The project that was submitted with the original application is a total of \$11.4 million that is all-inclusive including the demolition, site work, etc., which comes to over \$285,000 per unit. Construction and labor costs have gone up considerably since RRHA's Choice Neighborhood plan was finished. This has been a factor in the evaluation. Another factor is the financing for the \$11.4 million. Only up to \$9.8 million would be achieved through successful granting of low income tax credit application. It is a competitive

process when applying for those tax credits. There are two types of tax credit applications. There are four percent rehabilitation projects and the nine percent which is the larger tax credit for new development. RRHA would have to go through the nine percent process, which is competitive. The four percent process is not competitive. This is something that can be revisited and addressed at this site or at another site as well. This would leave an approximate \$1.5 million gap, where RRHA would be looking to borrow funds while the City is still here to get some Community Development Block Rent funds. This is a competitive process as well, unless the City can be convinced to award those without going through the competitive process. There are some financial difficulties when looking only at the basic numbers of it. In addition to that, RRHA is working on using its operating funds and has gone through the Operating Funds Financing Program (OFFP), which were needed because they were related to our replacement housing factor funds that were going to expire. This also reduced the kind of funding and the flexibility RRHA might have to bring to a project like this.

Regarding the site across the street and the former Melrose library, RRHA received information that it was not the frontrunner in that process, but there is recent indication that the organization the City was negotiating with is also looking at a different site to move their offices to. That process is still ongoing and an announcement will not be made until there is a concrete deal. Mr. Gusler stated that something to note is that there is a sidewalk connecting the old library to the new library. That and the possibility that RRHA will not get the library site is disconcerting. As far as RAD and the Choice Project, the library building is important, but it is really the access to it that is needed. To get access to the Horton Park site, RRHA would need the driveway because access

would need to be created rather than using the existing access. It would be a considerable expense and would actually cut down on the number of units that RRHA could build. He went on to say that right now, it appears that there are too many uncertainties with the site across the street, with both the library and Horton Park. It does not mean, however that the sites are off the table, but it does mean that there are some obstacles involved with them. RRHA would be responsible for relocating the basketball court, which is another concern because it could not be done with a quick turnaround time. RRHA would need to have another site picked out and there would be a period of time where there would be no basketball court to use. This could possibly make the residents here very unhappy as the court is used quite a bit.

Mr. Gusler said the cost of this project was going to be very expensive and there are a lot of unknowns still. RRHA did an analysis of its capital fund and the funds received on a per development, per unit basis. It also did long-range projections of the capital fund and it turns out that Lansdowne is the highest performing of the public housing AMPs financially. More capital funds are being generated from having Lansdowne based on HUD's formula. There are other developments that are not financially performing well, so the capital fund and operating funds from Lansdowne are helping these other AMPs financially. Once RAD is complete and units are converted to voucher based housing, the rental subsidy is good, but the capital and operating funds are given up which is a concern. A comprehensive look is being completed and if the decision is made to convert all public housing, it would make more sense, as it stands right now, Lansdowne would be at the end of that process and all the other developments would be completed first. Also, it could have an impact of the funding of

RRHA's Central Office.

Mr. Gusler said that RRHA was trying hard to take every possible step to see if it was feasible to follow through with the implementation plan of razing all 300 units here and redevelop elsewhere in the City and across the street with a mixture of housing. This was another way of looking at implementing the Choice Plan, however it was decided that it is not the best way and the recommendation is to not pursue this route at this time through RAD. Overall, this does not mean that RAD is not worth looking into, but that the recommendation for the next step is either withdrawing the current RAD application or working with our transaction manager to communicate RRHA's plans. They may allow the application to remain in an active status, but without any implication for public housing. So far, they have been very cooperative and good to work with. HUD is trying to process as many RAD applications as it can.

RRHA would like to take a stronger look at the capital needs of all of public housing, which is what Mr. Shank is working on to determine the sites that need the most help and are not performing well financially, not only today but in the future. It is Mr. Shank's observation that if RRHA continues at its current pace, in 20 years it will barely be able to sustain public housing. That would be based on having budget years similar to the past two years.

Mr. Gusler said the recommendation is to go back to the drawing board and take a more comprehensive look at RRHA's public housing inventory. There is a possibility of RAD. If the cost comparison data is submitted to the special application center in Chicago and they determine that the units are obsolete or are not financially viable under the public housing program, there is a voluntary conversion program where they

would become voucher based housing, just like in a RAD deal. There are some differences in the programs and in the voluntary conversion program. Right now, RRHA would look at that as a means of converting some developments without having to go through the Low Income Tax Credit (LITC) process.

Chair Garner asked what would be the advantage by not going through the LITC process. Mr. Gusler said there are a lot of strings, follow-up and compliance with the process, however there would be some flexibility with changes. LITC is a limited partnership and while Roanoke Valley Housing Corporation is part of that limited partnership, until the developments reach their fifteen year affordability period and flexibility opens up where there is an option of buying out the investors, RRHA's hands are tied regarding what it can do. Going through the competitive process to get the LITC credits can be done, but it is a lot of work to do this. The four percent LITC is noncompetitive and is on a rolling basis so if the numbers work out, it makes sense to rehab instead of demolition and rebuilding. This is basically a voluntary conversion, which says that RRHA is comfortable with the subsidy and it will operate the development in the same way with those rents, more so than with current public housing capital funds.

It is believed that it would be a mistake to try and push forward with the current RAD application due to the many variables that exist specifically financial risk.

Mr. Bustamante added that everyone believes in the de-concentration of poverty and its importance. What happened is that the Choice Neighborhood Plan was overlaid on a RAD application, which made it very difficult for RRHA to financially sustain that type of development. A straight RAD application or a straight project-based application

is a lot easier and does not involve half of the work that took place for this RAD application. It is done noncompetitively and RRHA does not have to put it out for bid. HUD wants to get away from public housing and views that something is being done wrong if a property has been a financial burden for all the other properties and not able to perform at the end of the year. The moment the number of units in this property are reduced, or the number of units at Melrose Towers is reduced, the impacts are felt across the board. At the end of the year, RRHA borrows from a property that is performing in order to take care of properties that they are not able to do. The RAD application is not the issue. The issue is that, even with the best intentions, RRHA tried to overlay the Choice Neighborhood Plan with a RAD application and that made it difficult to financially sustain that type of operation as RRHA does not have that type of money.

Commissioner Burruss asked what would happen if it was determined that there was a new opportunity to submit a Choice Neighborhood application and it was also found out that the City gave RRHA the property across the street. Mr. Bustamante said that this has occurred twice and he believes that the City has to be the primary on the application. If RRHA is not going to be able to submit an application and choose the organizations that could provide the correct and adequate support for these types of grants, then the grant submitted would not meet the threshold. RRHA is putting its name on it and should be considered the experts when it comes to this. The City needs to understand that if they are going to sign on. RRHA is aware of what the Council of Community Services can do and why they are important. They need to be brought to the table as well.

Chair Garner stated that even though the information was not correct, RRHA continues to adhere to the transformation plan because reference to Choice Neighborhoods is commonly made. This must be the only routing, guiding principle parameters in which RRHA is working. Mr. Bustamante responded by saying that Mr. Gusler commented that much has changed since the Choice Neighborhood Plan went into effect. At some point, if RRHA is going to revive that plan, revisions need to be presented to the community as that plan is no longer viable as it was when it was first developed. The Choice Neighborhood Plan is now five years old.

Commissioner Witten asked if the LITC market was still as soft as it was about six to eight months ago. Mr. Gusler said that he had not heard that the market had gone down and that the credits still seem to be pretty strong. It has not been a deterrent and the competition is still very strong. RRHA did a comparison using a conservative number by using \$0.85 on the dollar for its pro-forma, which is low compared to others. If a higher projection was used such as \$0.95, it does not cover the gap between what is needed to finance new construction. As far as Lansdowne is concerned, it is all new construction. This plan is centered around new construction and the possibility of getting an implementation grant. Since RRHA did not have a part of the project underway at the time, it suffered concerning the grant when compared to larger housing authorities who had gone into RAD or found a way to go through the Section 8 team. Their buildings were in such bad shape and, because they had vacancies, were being torn down as part of their Choice Plan. There was not any discussion about rehabbing any units at Lansdowne.

Commissioner Witten asked if there are developments today that would be

considered to be moved to the front of the line. Mr. Gusler confirmed and said it would be RAD or voluntary conversion. RRHA is looking at the ones that do not perform now which are: Morningside Manor, Indian Rock Village, Bluestone Park and Hunt Manor. Commissioner Witten asked if they would be rehabbed or if they would be torn down. Mr. Gusler stated that it would be a combination. At this time, there are no known units in bad enough shape that are being considered for demolition. Also, there is a penalty for having high vacancy rates and RRHA does not have the vacancy numbers. Mr. Gusler thinks there are some strategic possibilities for demolition. He does not see where a whole development needs to come down, but within each development there are probably some units that need to be improved.

Commissioner Burruss stated that she is surprised that Morningside Manor is not performing. Mr. Bustamante stated that the issue with Morningside Manor is that the 105 units are mostly comprised of efficiencies and one bedroom units, whereas Melrose Towers has efficiencies, one bedroom and two bedrooms. Even though it is fully occupied, the income that comes in on a monthly basis is not the same. Mr. Shank added that Morningside Manor is the smallest AMP as far as unit numbers are concerned and is the smallest site as far as capital fund. Much of what RRHA does with bigger projects has to use the pot of money as a whole. RRHA has worked over the years with reduced funding and tries to keep things going. He said that right now he has sites that have the original boilers where parts are replaced instead of the boiler unit as a whole, but that this will come to a point where it is going to catch up. Looking at the capital needs, RRHA will get to the point where the good budget years are not going to exceed what our needs are. Mr. Shank said that with Morningside Manor over the last

couple of years, there is equipment that is failing that, according to capital planning, has another year or so in them. It will bring about great cost to repair and keep those things going. According to the capital fund plan, the goal is to pull those items forward and do some replacement work. When equipment fails and there are large costs which exceed more than the income that the site can sustain by themselves, this ends up hurting the site.

Chair Garner stated that the Board would be hearing more about it in the future because the Capital needs is an important topic.

Chair Garner asked Mr. Bustamante to clarify how Lansdowne can be the site that is generating the revenue as he had the understanding that, from HUD'S perspective, each AMP was discrete and there is no fungibility. Ms. Austin stated that the money is fully fungible. Section 8 money cannot be used, but on the public housing side, any AMP can use any dollars for any site. Ms. Austin stated that this is why they are performing because, at the end of the year, entries are made on the books to ensure that the properties can pay management fees, etc.

Mr. Gusler stated that RRHA gets into that with the LITC properties where the balance of one of the LITC properties that is performing well cannot be taken and moved over to another one because they have investors backing them. Ms. Austin stated that they are completely independent.

Commissioner Witten asked when the AMP conversion took place. Mr. Shank stated 2006 and, at one point, there was discussion about going back to something different. Mr. Bustamante stated that it was mentioned in an article and no one has come back to say that HUD will go back to central public housing administration.

Ms. Austin said that it used to be that indirect costs were allocated to the programs, however when it was changed to Asset Management Projects (AMP), the Central Office gets management and service fees in order to fund the Central Office. A few years ago, HUD decided to re-federalize the Central Office cost center, which meant that RRHA had to create another Central Office cost center and do a lot of entries to make sure that each one of them was allocated appropriately.

Commissioner Kepley asked what AMP meant and it was explained that it was an abbreviation for Asset Management Projects. The idea about tearing down Lansdowne and building the new units is to de-centralize poverty. Mr. Gusler said that is one of the big goals that by the time the two phases of this plan are done between Horton Park and the Lansdowne sites, there will be two hundred and fifty-nine units here. This would be a mixture of units and not all extremely low income. Under the Choice Plan, there would be a very small number of public housing units and there would be higher low income units included in it. This would give people the ability to stay in the neighborhood, but have mixed incomes. Mr. Gusler stated that in the overall plan, it would increase the number of units in the City and in the neighborhood. At Lansdowne, it would be a reduction in the number of units by 41. Commissioner Kepley stated that it would basically be at a cost of roughly \$300,000 per unit. Mr. Shank added that, back in 2012, RRHA was looking at approximately \$180 million to do all the units. Mr. Gusler said that this first phase is 40 units at \$11.4 million. The \$180 million is a lot of units and not just the units at Lansdowne. Commissioner Kepley said he is trying to understand the big goal and that it seems like a huge expense without changing the units significantly. He said it seems like one of the main goals should be to provide

some type of housing for people. Mr. Gusler said that it is a great plan, but that the idea is to de-concentrate poverty and mix incomes not only locally in this neighborhood, but also around the city. He said that better census tracts do not have the high poverty rates. He explained that during a visit to Knoxville last year, he and Mr. Shank observed that they have been very successful with RAD. They got into it early and are converting their entire portfolio. When they were taken around to see some of the developments, they learned that they got into problems with HUD concerning site selection where they had just rebuilt onsite. The money came first and then the site, so they did not see where they were doing a great job of deconcentrating poverty. They have some nice plans that they worked on with their city and, unfortunately, they had to rebuild some units essentially where the old units were because HUD gave them problems with that. With RAD, every resident has the right to come back to the development. The rents to the residents would not change; the only difference would be that RRHA would get a rental subsidy directly from HUD for each unit. If RAD was used for this whole development and every unit was rehabbed, RRHA would not be deconcentrating poverty in the way that it had hoped for. It is a great goal, but extremely hard to accomplish because the cost of land and the census tracts is high and the land is not very available.

Commissioner Burruss said that this just brings to mind the importance of RRHA's relationship with the City in so many ways and this is the third or fourth meeting where there has not been a City Council Liaison present. Ms. Richie stated that RRHA will have a new City Liaison and that Ms. White-Boyd informed her of that change.

4. Committee Reports

Chair Garner asked for any Committee reports. There were none.

5. Commissioner Comments

Chair Garner asked if there were any commissioner comments or questions.

There were none.

6. City Council Liaison Comments or Discussion

Chair Garner asked if there were any City Council Liaison comments or questions. There were none.

7. Residents or other community members to address the Board

Chair Garner asked if there were any comments or questions. There were none.

CONSENT AGENDA

C-1 Minutes of the Regular Meeting of the Board of Commissioners held Monday, June 24, 2019.

RECOMMENDED ACTION: Dispense with the reading thereof and approve as recorded.

C-2 Monthly Operations Report for the month of June 2019.

RECOMMENDED ACTION: File as submitted

Commissioner Burruss introduced a motion to approve the Consent Agenda.

The motion was seconded by Commissioner Kepley and upon roll call the following vote was recorded:

AYES: Commissioners Anguiano, Burruss, Garner, Karnes, Kepley, Witten

NAYS: None

Chair Garner thereupon declared said motion carried as introduced.

II. REGULAR AGENDA

1. Executive Session

Commissioner Witten moved that the Commissioners enter into Executive Session for the purpose discussion of specific personnel matters of RRHA in accordance with Virginia Code Section 2.2-3711 (A)(1) and (8).

The motion was seconded by Vice Chair Anguiano and upon roll call the following vote was recorded:

AYES: Commissioners Anguiano, Burruss, Garner, Karnes, Kepley, Witten

NAYS: None

The Board of Commissioners entered into Executive Session at 3:57 p.m.

Certification

Commissioner Burruss introduced a motion stating that the members of the Board of Commissioners hereby certify to the best of their knowledge that only public business matters lawfully exempted from open meeting requirements and only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered by the Board in the immediately preceding Executive Session.

The motion was seconded by Vice Chair Anguiano and upon roll call the following vote was recorded:

AYES: Commissioners Anguiano, Burruss, Garner, Karnes, Kepley, Witten

NAYS: None

The Board reconvened into open session at 4:30 p.m.

III. ADJOURNMENT

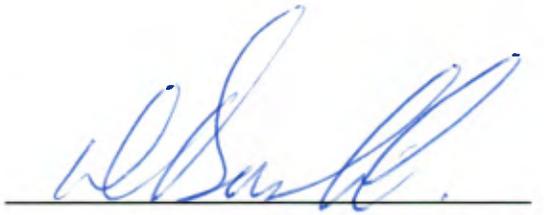
There being no further business to come before the Board, Commissioner Burruss moved that the meeting be adjourned.

The motion was seconded by Commissioner Kepley and upon roll call the following vote was recorded:

AYES: Commissioners Anguiano, Burruss, Garner, Karnes, Kepley, Witten

NAYS: None

Chair Garner declared the meeting adjourned at 4:31 p.m.



David Bustamante, Secretary-Treasurer



Ed Garner, Chair

