



Housing Authority of the City of Columbia, Missouri

Board Report Staff Memo

To: Board of Commissioners

From: Phil Steinhaus, CEO

Date: June 18, 2013

RE: Affordable Housing Initiative Report for June 2013

The following is an update on the CHA's Affordable Housing Initiative for the past month.

Columbia Housing Authority Affordable Housing Initiative 2013 Strategic Plan

- ND Consulting Group, Capital Consultants and CHA have completed the final draft of the strategic plan and are presenting this draft to the Board for comment at the June 18, 2013 Board meeting.
- As noted previously, due to the complex nature of affordable housing development and the enormity of the task of revitalizing and preserving public housing, the strategic planning process will be an on-going process that will be subject to continuous revisions and planning updates based on evolving development opportunities and available financing options.

Development and Renovation Projects

- **Kinney Point:** Northeast corner of Garth and Sexton - proposed development.
- **McQuitty Square:** Southwest block of Garth and Sexton - proposed development
- **Stuart Parker:** 84 public housing units (Unity, Lincoln. W. Worley, Oak and Hicks) - proposed substantial renovation

Garth and Sexton Affordable Housing Developments (Kinney Point & McQuitty Square)

The Development and Renovation Planning Process

CHA, the City of Columbia and the Columbia Community Development Corporation (CCDC) continue to meet with our consultants on the first and third Thursdays of the month with the following members representing this "working group":

- CHA: Phil Steinhaus, Rick Hess, Mary Harvey, and Greg Willingham
- City of Columbia: Tim Teddy and Randy Cole
- CCDC: Mike Crist
- ND Consulting Group: Ken Nuernberger
- Capital Consultants: Sean King and Paul Berry

Preliminary Design of Kinney Point and McQuitty Square

The initial design concepts have now been presented to the CHA Board of Commissioners, the City Manager, the City Council, the Community Development Commission, the CCDC Board and the neighboring community. These concepts have been well received and have generated productive conversation and ongoing support for our affordable housing efforts.

Community Meetings

A community/neighborhood presentation on the Low-Income Housing Tax Credit (LIHTC) Program and the Rental Assistance Demonstration (RAD) Program was presented to a small group on Thursday, May 30, 2013 at 6:30 p.m. at Oak Towers. This was very informative and the audience was well engaged.

Demolition and Maintenance (Kinney Point & McQuitty Square)

The two dilapidated structures on 700 Oak Street and 105 Lynn Street have now been completely removed and mowing services are ongoing for all properties.

Land Donation (McQuitty Square)

The City of Columbia is following the necessary procedures to donate 106, 108 and 110 W. Sexton to CHA for the purpose of developing the McQuitty Square affordable housing complex. The City Council passed a resolution “authorizing the Neighborhood Stabilization Program (NSP) Land Bank Plan; authorizing the City Manager to submit the Land Bank Plan to the Missouri Department of Economic Development” at the June 3, 2013 City Council Meeting. The next step is a 2nd and 3rd read of City Ordinance at the June 17, 2013 Council meeting.

Development Issues (McQuitty Square)

Rick Hess and Greg Willingham met with Crocket Engineering Consultants to further explore the storm water and sanitary sewer systems issues as presented by key employees of the City of Columbia’s Public Works Department who reviewed camera footage of the storm water tunnel and further discussed sanitary sewer issues in this area with the working group. We will continue a dialogue with the City of Columbia in an attempt to improve the entire neighborhood’s storm water and sanitary sewer systems.

Financing

- **Kinney Point:** We are on target and working diligently towards the September 6, 2013 Missouri Housing Development Commission (MHDC) application deadline for 9% Low-Income Housing Tax Credits (LIHTC).
- **McQuitty Square:** Due to the number of partners involved in the McQuitty Square development, it is felt that the planning and financing processes will require additional time, so it is being recommended that this site is developed separately with financing other than the LIHTC program.
- **CDBG Application:** On June 5, 2013, Rick Hess and I attended the Columbia Community Development Commission hearings of agency project applications. I presented support for the following application:
 - **CDBG:** McQuitty Square - Requested \$200,000 for infrastructure improvements.

Rezoning

- **Kinney Point:** Crockett Engineering Consultants submitted an application in our name to the City of Columbia’s Planning and Development Department on Monday, June 10, 2013 to amend the “Statement of Intent” of the current Planned Unit Development (PUD) for Kinney Point to better describe the nature of this development. This submission should ensure that this project is properly zoned prior to our September 6, 2013 MHDC application.
- **McQuitty Square:** We will begin the rezoning process of McQuitty Square over the next few months.

Ongoing discussions

- Site control and property ownership and related legal issues.
- Securing architectural services.
- Securing construction services
- Financing options and time frames for application submissions.
- Development timelines.
- Public engagement plan and communication with neighborhood associations.

Public Housing Revitalization Planning Process

In conjunction with our Garth/Sexton development planning meetings, ND Consulting Group, Capital Consultants and CHA are meeting on the first and third Thursdays of the month to continue the planning process for the revitalization of our aging public housing units. We are moving forward with the assumption that we will submit an application to MHDC for the 4% Low-Income Housing Tax Credit (LIHTC) funding by the September 6, 2013 deadline. Our intention is to coordinate this renovation project with the development of the Kinney Point affordable housing development as this would give us additional options for the relocation of public housing residents during the renovation process.

HUD Rental Assistance Demonstration (RAD) Program

There are still considerable questions that we are researching regarding the potential use of the HUD Rental Assistance Demonstration (RAD) Program. This program, which would convert our public housing operating subsidies to long-term project-based vouchers, would provide a stable rent necessary to leverage LIHTC and other external funding to complete the revitalization process (current public housing operating subsidies fluctuate from year to year based on the HUD “proration” of these subsidies and are not stable enough to provide the confidence investors need when investing in tax credits). We have given a lot of attention to the validity of the RAD Program over the last month. We have been assigned a RAD consultant who is assisting in an evaluation of all options available through this program. We are hoping to have scenarios to discuss with the Board and CHA Residents over the next few weeks. Please see the attached RAD Board Report Staff Memo for more detail.

As noted in the March 19, 2013 Board report on the impact of sequestration on the Columbia Housing Authority and housing authorities in general, HUD representatives issued the following statement: *“The renovation and revitalization of our aging public housing stock may also be significantly affected by sequestration and the pro-ration of public housing operating subsidies.”*

Financing (Stuart Parker)

- **4% Low-Income Housing Tax Credits (LIHTC):** We are working diligently towards the September 6, 2013 Missouri Housing Development Commission (MHDC) application deadline for 4% Low-Income Housing Tax Credits (LIHTC).
- **HOME Application:** On June 5, 2013, Rick Hess and I attended the Columbia Community Development Commission hearings of agency project applications. I presented support for the following application:
 - **HOME (Rental Production Program):** Request of \$350,000 to serve as “gap” funding necessary in making this substantial renovation project work financially.

Legal Issues

CHA staff and Ken Nuernberger met with Marjorie Lewis from the Columbia law firm of Brown, Wilbrand, Simon, Powell, and Lewis and Jack Pletz from the Jefferson City law firm of Pletz and Reed, P.C. to discuss various legal issues related to the use of the Low-Income Housing Tax Credit Program to finance affordable housing developments and renovations. Mr. Pletz provides legal advice to the Jefferson City Housing Authority and has worked with them on four previous affordable housing developments and/or public housing renovations that utilized the Low-Income Housing Tax Credit Program.

The discussion focused on which firms that the CHA should use for various specialized legal services related to the Affordable Housing Initiative including tax credit and bond attorneys, setting up limited partnerships and LLC's, establishing a Community Housing Trust, and attorneys specializing in HUD regulations related to affordable housing development by Public Housing Authorities. It was felt that the CHA should employ the services of a local attorney to provide general legal advice to the CHA who would also be able to consult with a variety of other attorneys who specialize in a wide range of affordable housing development issues.

We will be issuing an RFP for legal services in the future that will incorporate the legal services that we need for the development process as well as the CHA's other legal needs.

Neighborhood In-Fill Projects

The City of Columbia has transferred the title for the land and properties located at 904 Madison Street and 711 Mikel Street for the purpose maintaining the property as an affordable rental or owner occupied housing. Both of these properties were acquired and renovated through the Neighborhood Stabilization Program and will be rented to income-eligible families with incomes at or below 50% of the Median Family Income.

A lease and a set of house rules and policies have been approved by the Board, and we are in the process of entering into leases with qualified tenants for these two homes.

McBaine Townhomes

The four-year rental period for these five townhomes has been completed as required by the HOME Rental Production Program. These townhomes can now be converted to homeownership properties and sold to the occupants or other income-eligible families. An assessment of each townhome will need to be completed and legal descriptions developed for each townhome so they can be sold as separate units. It is my recommendation that the land should remain in a housing trust to ensure compliance with HOME regulations, proper long-term maintenance, and owner occupancy.

Community Housing Trusts, Housing Trust Funds, and Land Trusts

CHA staff convened a meeting with interested parties to discuss the formation of a Community Housing Trust, a Housing Trust Fund, and a Land Trust. More detailed information on all three topics is contained in a separate report to the Board for May 21, 2013.

Interested parties attending the meeting included CHA staff, the City Manager and City Planning Department Staff, the Columbia Community Trust, Job Point, and the Columbia Community Development Corporation. The discussion went very well and all parties were very interested in moving forward with forming a Community Housing Trust. CHA staff agreed to take the lead and reconvene at a later date.



Housing Authority of the City of Columbia, Missouri

Board Report Staff Memo

To: Board of Commissioners

From: Phil Steinhaus, CEO

Date: June 18, 2013

RE: HUD Rental Assistance Demonstration (RAD) Program

We have given a lot of attention to the validity of the HUD Rental Assistance Demonstration (RAD) Program over the last month and we have been assigned a HUD appointed RAD consultant who is assisting in an evaluation of all options available through this program. There are still considerable uncertainties that we are researching regarding the potential use of the RAD program, but we are hoping to have scenarios to discuss with the Board and CHA Residents over the next few weeks.

Our initial discovery is that just converting the 84 units under RAD does stabilize our operating income for these units, but falls short of servicing the debt incurred by the proposed substantial renovation project (Stuart Parker Apartments) while utilizing 4% Low-Income Housing Tax Credits (LIHTC) and the HOME Rental Production Program as the project funding sources.

We have learned that, if certain conditions are satisfied, we may be able to convert other CHA properties or possibly all 719 CHA units. Although currently unclear exactly how the numbers work, we have the option of "bundling" other CHA properties with the Stuart Parker Apartments' project allowing flexibility with initial contract rents. Our RAD consultant is currently evaluating our numbers so we may study the potential of all options. We have two major considerations that must both be satisfied in order for us to recommend a direction to the Board and our Residents:

- Does this option establish a financial platform that will enable CHA to substantially renovate Stuart Parker Apartments?
- Does this option position CHA for long term stability measured both financially and long term sustainability?

If we determine that any of the options are valid and promising we would need to meet with the Board to discuss the option in detail and seek approval prior to beginning the RAD application process.

If the Board agrees to move forward with a valid conversion option, the final piece of the application process would require Board approval of the RAD application submission in which the Board would be attesting to the following:

I hereby certify to the following: (1) that I have the requisite authority to execute this application on behalf of the owner; (2) that HUD can rely upon this certification in evaluating the Application, (3) that I acknowledge that I have read and understand PIH Notice 2012-32 (the "Notice"), which describes the Rental Assistance Demonstration (RAD) (the "Program"), and agree to comply with all requirements of the Program or Notice; (4) that all materials submitted in association with the application are accurate, complete and not misleading; (5) that the

application meets all applicable eligibility requirements for the Program set forth in the Notice; (6) that the owner approves the creation of a single-asset entity of the affected project if required by the lender to facilitate financing; (7) that, if selected for award, the owner will comply with the fair housing and civil rights requirements at 24 CFR 5.105(a) (general requirements) and will affirmatively further fair housing; (8) that there are no debarments, suspensions, or Limited Denials of Participation in Federal programs lodged against the applicant, PHA Executive Director, Board members, or affiliates; (9) that this Board Approval Form has been approved by the Board of Commissioners on the date noted below; and (10) that, if selected for an award, the PHA will comply with all provisions of HUD's Commitment to Enter into a HAP (CHAP), which shall indicate the HUD-approved terms and conditions for conversion of assistance, or will indicate to HUD within 15 days that it is refusing the terms of the CHAP and withdrawing from RAD participation.

Requirements Prior to Board Approval to Submit the RAD Application:

- **Evidence that our Application is Financial Feasible:** We must reasonably identify all of the financing to meet a project's indicated needs in comparison to all costs and operating expenses involved in the conversion.
- **Identification of Potential Lenders or Investors:** For any source of debt or equity, other than contributions from the public housing agency itself, a PHA will be required to provide a Letter of Interest/Intent from the sources in the Application.
- **Resident Meetings:** We must hold two resident meetings at the proposed project(s) and then summarize the comments received and responses provided.

If Awarded:

- **Physical Conditions Assessment (PCA):** For purposes of the application, we are not required to have completed a RAD-compliant PCA. We may use a "best estimate" of capital needs. However, if awarded an initial commitment or Commitment to enter into a Housing Assistance Payment (CHAP), We will have 90 days to submit the PCA. Accordingly, we should plan early on for selecting an appropriate PCA provider.
- **Significant Amendment to our Annual/5-Year Plan:** If selected for award, we would have 60 days following the award to submit this amendment.

In order to complete the application and receive award prior to the September 6, 2013 to meet the deadline for the Missouri Housing Development Commission Low-Income Housing Tax Credit application, we would require Board approval of the RAD application no later than our July 16, 2013 Board Meeting. This would also require a Special Board Meeting in June to discuss the option or options in detail that we have determined valid and promising and seek Board approval to move forward with the RAD application process.