

COUNCIL ON HOUSING  
Public Session  
Buena Vista Conference Center  
New Castle, Delaware  
February 11, 2009

**Action Items**

- **King Plaza and Carvel Gardens Annex Loan Refinancing Request.**

On February 11, 2009, John Walker, Chair, called to order the Public Session of the Council on Housing at 2:05 p.m. In addition to Mr. Walker, the following Council members were present:

Hugh Leahy	Bill Pearson
Connie Louder	Ruth Sokolowski
Connie McCarthy (via telecon)	Vincent White

The following Council members were absent and excused from the meeting:

Russ Huxtable  
Ralph Peters  
Norma Zumsteg

The following persons also attended the meeting:

Anas Ben Addi, Director, Delaware State Housing Authority (DSHA)  
Lynda Blythe, Administrative Specialist III, DSHA  
Susan Eliason, Housing Asset Management Administrator, DSHA  
Matthew Heckles, Legislative and Policy Advisor, DSHA  
Jerry Jones, Housing Finance/Development Administrator, DSHA  
Timothy McLaughlin, Deputy Director, DSHA

Guests present:

Darreisha Bates, Trustees of Color  
Dave Culver, General Manager, Department of Land Use, New Castle County  
Anne Farley, General Manager, Department of Community Services, New Castle County  
Nicole Majeski, Chief of Staff, New Castle County of Delaware  
Gina Miserendino, Delaware Housing Coalition  
Chester Montgomery, Chair, Board of Directors, King Plaza Associates, L.P.  
Gary Pollio, Executive Director, Interfaith Community Housing of Delaware  
Kent G. Purdy, Miller Purdy Architects

Joseph C. Schoell, Attorney at Law, WolfBlock, LLP  
Michael Skipper, WSFS Bank  
Arabella H. Stallings, Secretary, Board of Directors, King Plaza Associates, L.P.  
Jane Vincent, Delaware Community Foundation  
June Woodward, Better Homes of Laurel-Carvel Gardens Annex

### **APPROVAL OF MINUTES**

Mr. Pearson made motion to approve the January 14, 2009 Minutes as presented. Mr. Leahy seconded the motion which was approved unanimously.

### **HDF STATEMENT**

Mr. Jones reviewed the attached HDF statement noting:

- Construction closing was held February 6, 2009 for Kensington Lane ( Item #116).
- Windsor Apts. (Item #118), a multi-story complex in Wilmington, will be requesting an energy loan of approximately \$262,000 probably in March.
- King Plaza (Item #119) and Carvel Gardens Annex (Item #120) are being presented at this meeting.
- Arbor Place (Item #92) will go to final closing February 18.

### **KING PLAZA and CARVEL GARDENS ANNEX LOAN REFINANCING REQUEST**

Mr. Jones, using the attached handouts, began with a review of preservation funding:

- Three years ago DSHA requested preservation funding from the Joint Finance Committee (JFC) in order to preserve affordable housing units and long-term subsidy.
- DSHA identified ten developments in critical need of financial re-structuring and rehabilitation.
- In 2008, DSHA received \$7.5 million that was used to assist three projects.
- In 2009, DSHA received \$5 million. Two projects have already been funded and the two being presented today will exhaust the 2009 funds, a fact that will be reported to state's Budget Office in April.
- Recognizing current economic conditions, DSHA will only request \$2.5 million from the JFC for 2010.

Regarding King Plaza and Carvel Gardens Annex specifically, Mr. Jones stated:

- The projects were bond-financed in 1983 by DSHA and received a 30-year subsidy from HUD.
- Insufficient rent increases by HUD has resulted in financial hardships for the projects.
- DSHA, asset manager of the projects, is requesting the refinancing of the existing debt, by utilizing preservation funds, to reduce debt service and provide rehab funds.
- There is no change of ownership or developer involved in the request.

### King Plaza

- Consists of 23 family units located in Wilmington.
- The funding requested is for \$792,200 (first and second mortgages).
- Estimated cost per unit is approximately \$34,400; current average for preservation units is \$30-40,000.
- Rehab cost portion per unit is approximately \$10,000.
- Current debt is at 11.75% interest.
- The federal subsidy is \$185,400 per year.
- A condition to funding is that the owner request a contract extension of the Housing Assistance Payment (HAP) which expires in 2013.
- Should contract not be extended a Transitional/Operating Reserve will be funded to provide operational cash flow on an interim basis, if needed.

Ms. Sokolowski asked if this was enough financing to meet the rehabilitation needs and if there would be any relocation of tenants involved. Mr. Jones responded that staff believes the funds requested were adequate and that there would be no relocation of tenants.

### Carvel Gardens Annex

- Consists of a total of 30 family units situated in three buildings in Laurel.
- Requesting a loan for \$1,007,800 (first and second mortgages).
- Total cost per unit is approximately \$33,600 with \$19,400 per unit for rehab.
- Units are larger than those at King Plaza.
- A condition to funding is that the owner request a contract extension of the Housing Assistance Payment (HAP) which expires in 2013.
- A Transitional/Operating Reserve will be funded to provide operational cash flow on an interim basis, if needed.
- The site receives \$186,200 per year in federal subsidy.

It is the recommendation of staff that the refinancing requests be approved as submitted. Mr. White moved that Resolution No. 383 be approved. Mr. Pearson seconded the motion which unanimously passed.

### **WORKFORCE HOUSING ORDINANCE PRESENTATION**

Ms. Majeski reviewed the attached handouts regarding the proposed workforce housing ordinance (also known as inclusionary zoning) in New Castle County noting:

- 2005 - The concept began in 2005 to identify what type of housing would be needed in the county.
- 2007 - Adoption of the 2007 Comprehensive Development Plan Update which indicated:
  - A growing need for affordable workforce housing.
  - A need for a homebuyer's incentive program.

- 2008 - The Workforce Housing Program Ordinance was passed -
  - A voluntary program for developers to stimulate the production of workforce housing.
  - Program requires a minimum of 20% of a project be designated for owner-occupied workforce housing.
  - A Housing Trust Fund was developed to provide resources for very low-and low-income homeowners.
- 17 Plans have been submitted since passage of the ordinance.
- No plans approved to-date as review process takes one to two years, home building usually begins three to five years after submission.
- The ordinance requires an annual review which has resulted in obtaining comments from the public, particularly as to infrastructure and density, and possible modifications to the plan which are outlined on the attached handout.

Mr. Pearson asked if DelDot was in line with the program. Ms. Majeski responded yes, a Memorandum of Understanding between DelDot, New Castle County, Delaware State Planning, school districts, towns and municipalities is part of the process.

Ms. Sokolowski asked about a proposed rental provision change to the ordinance. Ms. Majeski replied some plans submitted included rental apartments. However, due to the many enforcement and regulatory issues of rentals, at this time the program would only focus only on owner-occupied units. Rental units will be addressed as a separate issue at a later time.

Mr. Pollio asked about the affordability requirements specifically to retention. Ms. Majeski responded the owner-occupied units are deed restricted for 15 years and the owners must be certified by a community service group.

### **DSHA TRANSITION COMMITTEE PRESENTATION**

Mr. Pollio stated the committee was comprised of 14 volunteers including himself as well as Ms. Vincent, Mr. Skipper and Mr. Pearson who are also attending today's meeting. The purpose was to examine the challenges facing DSHA and report their findings to the Governor's office (a copy of the report is attached). Mr. Pollio stated the committee recommended that DSHA operate under the following basic principals:

1. Transparency and Accountability.
2. Collaboration.
3. Commitment to Employ Best Practices.
4. Customer Service and Open Government.
5. Advocacy.
6. Partnership Development.

Mr. Pollio continued that the report was summarized into the five main points shown below and as detailed in the attachment:

1. Mission and Organization Structure.
  - Review and revise the DSHA mission statement and organizational structure.
  - Review and revise the authority and structure of the Council on Housing.
  - Develop comprehensive statewide housing plan.
2. Financial Challenges.
  - Need for alternative financing.
  - Risk of high loan prepayments.
3. Federal Stimulus Legislation.
  - Neighborhood Stimulus Act.
  - Anticipated Stimulus bill.
4. Mortgage Foreclosures.
  - Establish a statewide policy and coordinated response to foreclosures.
  - Remain current and communicate available loan restructuring alternatives.
5. Existing State Resources and FY'10 Budget.
  - Support funding of HDF.
  - Expand revenue sources.
  - Develop sound asset management and preservation strategy.
  - Review Qualified Allocation Plan.
  - Identify alternative structure for best practices.

Ms. Sokolowski stated she felt a conflict between the recommendations for a strong oversight on the part of the Council and a higher level of transparency in DSHA versus identifying and creating subsidiaries and alternative supplementary structures as a way to conduct business. Ms. Vincent responded the subsidiary comment related to looking at various best practices to give DSHA more tools to either generate resources or activities as opposed to trying to get away from public collaboration and transparency. Mr. Pollio further explained that the underlying intent is to look at other ways to do business better for which Mr. White requested an example. Mr. Skipper responded with two scenarios: 1) DSHA could form a separate subsidiary or unrelated entity development company to build housing. This new entity would be created utilizing an open planning process involving Council, developers and others interested in affordable housing; and, 2) DSHA would create a housing fund, separate from the state budget, using private charitable donations and managed by a third party, to provide grants or private funding for housing development.

Ms. Sokolowski stated she thought a program already exists using private donations. Mr. Ben Addi confirmed that several years ago DSHA created the non-profit Delaware Housing Partnership (DHP), which has a board and for which DSHA is the administrative body, to attract private donations that DSHA could not attract under code regulations. The DHP also has a separate balance sheet, audit and structure than DSHA. The approximately \$10 million donated to date has been used to offer second mortgage down payment assistance.

Mr. White asked to what extent were the transition committee's recommendations based on a perception of lack of clarity or communication on the part of DSHA or the Council; and, if so, an elaboration of that perception. Mr. Pollio responded that perception did play a part in the recommendations. Ms. Vincent stated a good portion of the team's comments were related to their desire for DSHA to coordinate, establish, and provide leadership for a statewide housing and community development plan. Mr. White continued that DSHA and Council have been proactive in housing and community development by annually advocating for increased funding, demonstrating an interest in the broad use of the stimulus package, putting forth good efforts regarding mortgage foreclosures and fostering good partnerships. Mr. White then asked if the perception of the transition team was that these proactive efforts were not being done or if it was a lack of communication about the efforts. Mr. Skipper responded that the purpose of the report to Governor Markell was two-fold: 1) to advocate that housing be considered as part of the state's infrastructure and raised to a higher level (as is transportation, environmental and agriculture); and, 2) to provide insight, from outside DSHA, as to the agency's strengths and challenges.

Mr. Skipper cited the recent creation of the Neighborhood Stabilization Program (NSP) as an example of DSHA's limited communication, transparency, openness and partnership in that very little outside input was received by DSHA nor was Council involved in the process. Although DSHA endeavors to provide good communication, Mr. Skipper stated, it must be greater and on-going. Mr. Skipper failed to mention that Ms. Zumsteg was on the NSP review panel and DSHA had made the Council aware of the receipt of NSP funding at the September meeting.

Mr. Pollio concluded his presentation by strongly stating that the underlying factor in the report is that input from outside groups and individuals must be considered in the development of all DSHA policy.

Mr. Pearson commented that, as a member of the COH and the Markell Transition Team, I am the (one) person in the room with the least knowledge of housing issues, mortgage issues, and finance issues, etc. (Sometimes) I wonder why I am on the COH and why (my friend) Jack Markell invited me to be on the (Housing) Transition Team. I do know that my skill set is; computers, communication (processes) and collaboration. Also, as a Board member of the Delaware Coalition on Open Government (DelCOG), a funded non-profit, I intend to keep both groups apprised of our COH activities. I am an advocate of: Open Government, Transparency and Accountability.

Mr. Ben Addi stated that, even prior to his being confirmed as Director, he had scheduled a meeting with the transition committee, upon his taking office, to review their report and that the meeting had been held February 9<sup>th</sup>. Although no formal directions or process for handling the recommendations have been received from the administration as yet, Mr. Ben Addi assured the committee that DSHA, along with Council, will continue to be proactive, improve communications, seek additional input as appropriate, take recommendations under advisement, and implement the recommendations if viable and as can be accomplished. An informal review will be held with the transition team by Mr. Ben Addi in approximately six months.

Mr. Leahy, while acknowledging no responses had yet been received from the Governor, asked the representatives of the transition team what they felt the process should be to address and implement their recommendations. Mr. Pollio responded those directions will probably have to come from the Governor's office and Mr. Ben Addi. Mr. Pearson does not want to wait for anyone's directions and wants changes to happen immediately.

## **DIRECTOR'S REPORT**

Mr. Ben Addi prefaced his report by stating that until he has a better understanding of all of DSHA's priorities and programs no changes will be made. Mr. Ben Addi then stated his goals on the operational side are:

- Be fiscally efficient.
- Improve internal and external communication, including between state agencies.
- Increase use of technology, providing such use would save time and money.
- Improve customer services.

Mr. Ben Addi next reported on the proposed stimulus package stating:

- Approximately \$13 billion nation-wide is expected to be designated for housing.
- Amount to Delaware is unknown.
- There will be less flexibility to these funds.
- Most of the programs that will utilize the funds are not controlled solely by DSHA.

In preparation for receiving the funds DSHA is:

- Working with other state agencies and professional organizations in which DSHA is a member to coordinate the use of the funds.
- Advocating with the House and Senate for as much funding as possible, for tax credit gap funding from the Senate and a small state cap so Delaware would not be penalized due to population.
- Identifying the capital needs of various projects.

Mr. Ben Addi next reminded Council that the Joint Finance Committee (JFC) Hearing will be held at 10:00 a.m. on February 12, 2008 in the lower level of Legislative Hall and all members are urged to attend and speak if they so choose. Using the attached handout, Mr. Ben Addi gave an overview of the presentation to be given to the JFC, highlighting:

1. Recommended Budget Overview -
  - The Housing Development Fund (HDF) base budget is approximately \$4 million.
  - Neighborhood Assistance Act operating funds only are \$21,200.

- The recent budget submitted to Governor Minner included a required 15% reduction.
  - All HDF funds will be used for programs, not operation costs.
2. HDF Base Budget -
    - Review of FY09 Activity.
    - Review of FY10 Projected Activity.
    - HDF Leverage Ratio - \$4 is generated for every \$1 in HDF funds.
    - Economic Activity and Jobs Created - funding of \$4 million would generate 226 full-time jobs.
  3. Strategic Reduction -
    - Impact of proposed reduction on HDF production includes a reduction of 34 jobs.
  4. Neighborhood Assistance Tax Credit Program (NAA) -
    - Review of NAA funding usage.
    - FY08 and FY09 NAA program activity.
  5. Foreclosure Prevention (DEMAP) -
    - Recorder of Deed Fee Proposal is to help continue funding several programs.
  6. Affordable Rental Housing Preservation -
    - Utilizing a chart indicating the bond bill funding for FY08, 09 and 10 and its impact.

Regarding preservation funding, Ms. Sokolowski asked the amount being requested, if the projects are included in the base budget and if projects needing funding are ready. Mr. Ben Addi responded that preservation dollars are funded separately through bonds, that the base budget is for the typical HDF loans and grants and that \$2.5 million will be requested for preservation needs. Mr. Jones stated there actually is only one remaining high risk preservation project at this time. Ms. Eliason responded preliminary discussions have begun with the owners of that project but it is unknown at this time if they will apply for tax credits or request preservation funds. Mr. Ben Addi clarified that DSHA had initially targeted only those sites requiring immediate attention for use of preservation funds but that, through utilizing needs assessments, there are many projects in need of those funds. Mr. Ben Addi hopes that preservation funding may become on-going to assist as many projects as possible.

Mr. Leahy asked what type of funds are included in the strategic reduction funds. Mr. Ben Addi responded they are HDF funds. It is anticipated the new administration will submit new budgets



in the near future and deeper reductions may be necessary. Mr. Leahy asked how DSHA could justify the reduction when needs are so great. Mr. Ben Addi responded that DSHA will request at least the entire \$4 million, that the Strategic Reduction as shown in Item 3 of his report is merely to indicate what impact the reduction would have on DSHA.

Ms. Sokolowski asked if Mr. Ben Addi thought the NAA would be in jeopardy of being cut. Mr. Ben Addi replied the program is very strong and that DSHA will strongly advocate its retention.

### **OTHER BUSINESS**

Mr. Pearson stated we now have two documents on the table, The COH 1st Annual Report and the Transition Team report, both reports consisting of topics that need IMMEDIATE COH discussion, dialog and ACTION. This means, finally, we have an opportunity to discuss (eleven) "housing matters" (not just HDF projects). We have just agreed to produce our future annual reports to coincide with the DSHA fiscal year (ending June 30, 2009). That means, as of today, we have 4 ½ months to "do something" (discuss housing matters) that can be included in our 2nd Annual Report. Mr. Schoell advised no date is specified in the statute requiring the annual report. After much discussion, Council agreed the next annual report will be based on the current fiscal year, July 1, 2008 through June 30, 2009.

Mr. Walker again encouraged all members to attend the JFC meeting to be held February 12th.

### **SCHEDULING OF NEXT MEETING**

The next meeting will be held March 11, 2009 at the Huling Cove Community Building in Lewes.

### **ADJOURNMENT**

Motion to adjourn was made by Mr. Pearson and seconded by Ms. Sokolowski. The motion was unanimously approved and the meeting adjourned at 4:15 p.m.

Respectfully submitted,

---

Lynda T. Blythe