

**LOAN COMMITTEE MEETING**  
**April 19, 2018**

**PRESENT:** Jerry Austin, Commercial Industrial Appraisal Services; Bill Koons, Presbyterian Senior Living; Heather Kreiger, ROCK Commercial Real Estate; Jessica Mockabee, York County Human Services; Bruce Rebert, Chairman; Mark Shea, Area Agency on Aging; Wade Gobrecht, York County Planning Commission

**ABSENT:** Fiona Eyster, York Traditions Bank; Felicia Dell, York County Board of Commissioners; Amy Hampson, HealthChoices Management Unit; Jessica VanSickle, York County Controller's Office

**STAFF:** Dory Brannon, Housing Chief; Michelle Trout, Development Specialist

**SOLICITOR:** Jeffrey L. Rehmeyer II, Esquire

**Call to Order**

Bruce Rebert called the meeting to order at 10:00 a.m.

**Approval of Minutes**

Mark Shea made a motion to approve the meeting minutes for March 2018. The motion was seconded by Heather Kreiger and carried unanimously.

**Update on 219-227 Baltimore Street**

Dory Brannon reported that construction started on March 13, 2018 and is on target for completion August 4, 2018. There are bi-weekly progress meetings attended by the County Rehabilitation Specialist and he visits the site once per week to check the work and take progress photos. These will be shared at each loan committee meeting. The footers were dug and poured, foundation walls are installed and waterproofed, electrical and plumbing under the slab was completed and concrete is expected to be poured this week. Framing is scheduled to start next week. The mortgage has been recorded against the site so that each parcel can be released as they are sold to eligible homebuyers. Dory reviewed the status of the development budget, which is very tight. Therefore, any contingencies will likely need to be paid out of the developer fee. However, as a certified Community Housing Development Organization (CHDO), the developer will be able to retain the sale proceeds for operating costs and future County-approved housing projects. The former tenant of 227 Baltimore Street is very interested in buying the end unit with the smaller yard. She has been pre-approved by a lender and is now working with the realtor assigned to the project.

**Update on M'Calister Inn**

Dory Brannon reported that all of the residential tenants have now vacated their apartments and the building has been locked down. All local emergency agencies have been notified and an access key card has been left activated in a lock box for entry into the building as needed.

Dory reported that the redevelopment authority is considering taking and holding the property for future redevelopment. There was a discussion about the current operating account and anticipated holding costs. The redevelopment authority will only hold the property if there is a strong plan in place for an appropriate end use. All public proposals that include addressing the required capital needs of the building will be considered. If the Redevelopment Authority does not take control of the building, it will go to the next delinquent tax sale.

A potential investor, formerly of Distinct Properties, has approached the owner and they recently met with County staff to present a plan to convert the building into market-rate rental housing with underground garage parking in the basement, a gym, laundry facilities, and a restaurant with outdoor courtyard seating. The plan is predicated upon the investor being able to acquire the building free of debt. He is working to develop a presentation to submit his idea to the loan committee.

Dory thanked Jessica Mockabee for coordinating the following community agencies that should be recognized for their extraordinary efforts to help the residents find new housing:

- Area Agency on Aging
- Bell Social Services
- Dept. of Human Services
- Housing Authority of York
- Health Choice Management
- Mental Health/IDD
- True North
- Turning Point

Bill Koons thanked County staff for their efforts and made a motion to request that the County Commissioners publicly recognize all of the agencies involved that provided case management, rental assistance, and helped the residents find new housing. The motion was seconded by Heather Kreiger and carried unanimously.

Dory reported that the County spent about \$39,000 of the Realty Transfer Tax (RTT) grant with more than a third of these funds being used for direct tenant assistance in the form of security deposits, rental subsidy, renter's insurance and moving expenses. The rest was used for building expenses while occupied.

### **Action Items**

- Proposed sale of Princess Street Apartments: Dory Brannon reported that Mission First Housing is looking to acquire the Princess Street Apartments, located at 1239 W. Princess Street. The project is an old 28-unit rental rehab project in West York. The initial term of the County loan expired in 2007. In lieu of paying the balance due on the mortgage, the owner requested and was granted a 15-year extension of affordability through December 2022. Subsequently in 2013, PFG Capital sold the property to The Community Builders (TCB). At the time of transfer, TCB was granted forgiveness of the existing County loan, and TCB and the County executed a new Release, Transfer and Extension Agreement and Agreement Imposing Restrictive Covenants. Because there was a discrepancy between the recorded documents, the County no longer had the ability to monitor occupancy, but the Pennsylvania Housing Finance Agency (PHFA) has monitored the project under tax credit rules. Dory advised that although Mission First Housing intends to continue operating the project as affordable housing, TCB is requesting a release of the County agreements in order to simplify the transaction. The Solicitor has reviewed the documents and agrees that this is the best option because it will open the possibility of the new owner obtaining additional funding for rehabilitation in the near future, thus preserving the affordable housing even longer.

There was a brief discussion of the proposed transaction and the County's interests. Bill Koons advised the committee that in his experience, Mission First has an excellent record for providing quality, affordable housing in multiple states.

Jerry Austin made a motion to approve the termination of the existing Release, Transfer and Extension Agreement and Agreement Imposing Restrictive Covenants. The motion was seconded by Mark Shea and carried unanimously.

- Proposed sale of Kain Apartments: Dory Brannon reported that a private investor is looking to acquire Kain Apartments located at 12-20 Baltimore Street. The project is an old 18-unit rental rehab project in Hanover that was transferred by inheritance to the daughter of the previous owner in 2000. The County granted the new owner, Carol Woodbury, a Release, Assumption and Extension Agreement II. The owner has been compliant with all County requirements to date and the loan was being partially forgiven in five-year increments with the final balance scheduled to be forgiven in 2021. However, the investor does not want to assume the County's affordability restrictions. Therefore, the owner has offered to pay the remaining balance of the County loan in exchange for an accelerated release of the terms of the existing Release, Assumption and Extension Agreement. The Solicitor has reviewed the documents and agrees that this is an acceptable offer in light of the owner's long standing record of providing affordable housing at this project.

There was a brief discussion of the project, the proposed transaction and the County's interests. Jerry Austin made the motion to approve the recapture of the remaining balance, satisfaction of the mortgage and accelerated release of the existing Release, Assumption and Extension Agreement II. Bruce Rebert abstained from the vote. The motion was seconded by Bill Koons and carried unanimously by the remaining voters.

### **Other Business**

- Dory Brannon reported that the PA Housing Finance Agency (PHFA) announced funding awards last week. The WODA Group was awarded Low Income Housing Tax Credits (LIHTC) and Pennsylvania Housing Affordability and Rehabilitation Enhancement Fund (PHARE) money for the Stone Ridge development in Springettsbury Township. WODA will need to update their sources and uses because there is a slight gap in funding. Joiann Galiano will begin the environmental review process and request the release of grant funds from HUD. The Solicitor, Jeffrey Rehmeier will begin preparing the settlement documents, and staff will coordinate the settlement with PHFA.
- Dory advised that Monarch Development was not awarded tax credits for the Sparrows Way project in Dover, but has an appointment to meet with PHFA staff to review their application and point score. The likely issue is the fact that they do not yet have an approved sewer module from DEP. Monarch has advised that they intend to pursue the project, so they will likely request that the County hold its conditional approval of HOME funds. The loan committee's next action will be contingent upon the results of the PHFA review and their readiness to proceed.
- Dory reported that the County has excess funds in its revolving loan fund. The revolving loan fund is generated by repayment of existing Home Improvement Program (HIP) loans that were initially funded by the CDBG Program, administered by the Housing Division. Normally, the revolving funds must be used to provide new home improvement loans, but the County has collected on so many loans in recent years that there are more funds available than can be used by the HIP program. Therefore, the County was granted HUD approval to allocate some of the excess funds to be used to provide deferred payment loans for small rehabilitation projects at rental properties in its existing portfolio. The deadline to submit applications was April 20, 2018.

Four applications were received to date:

- Waverly Court Apartments is requesting funds to make energy efficient water heater replacements.
- New Freedom Apartments is requesting funds to make energy efficient HVAC, hot water heaters, and common area lighting replacements.

- Shrewsbury Courtyards II is requesting funds to make parking lot and landscaping repairs.
- PFG Capital is requesting funding to cover the rehabilitation of Shelly School and Gateway Apartments that was initially a part of their refinancing plans.

Staff will review each application and take into consideration the owner's current compliance status. Recommendations will be made at the next loan committee meeting. Each project has current affordability restrictions, so any new agreements will run with the existing loan terms.

- Michelle Trout reported that the cost of administration currently exceeds the amount of homebuyer subsidies provided under the York Homebuyer Assistance Program (YHAP) this contract year. County staff recently met with the administrator to review contributing factors for the lack of successful cases, the outreach efforts being made, and plans for addressing the problems. Overall, it appears that lenders and realtors are not referring buyers to the program due to the federal restrictions on household income and physical condition of the property. There are similar, but less restrictive down payment and closing cost programs available that are more user-friendly. The administrator, Lancaster Housing Opportunities Partnership (LHOP) is working on a proposal for the County and City to approve a fund-raising effort to develop a new source of funds to subsidize the homebuyer assistance loans instead of using HOME Program funds. County staff will continue to monitor closely and make a decision about renewal accordingly.
- Dory reported the PFG Capital has confirmed that they intend to proceed with plans to refinance Gateway and Shelly School Apartments in order to rehabilitate the buildings. Dory advised their controller that the Solicitor would need to review the entire refinancing structure to ensure that all County loan interests are secured, and the cost of the legal review will be at their expense. In addition, the County will need to review and approve the detailed rehabilitation plans. PFG has been advised that a presentation to the loan committee will not be scheduled before full disclosure of the requested information.
- Dory reviewed the County's current funding commitments and availability. She advised that the 2014-2015 allocations have been committed to pending projects. HUD waived the commitment deadline for 2016-2017 allocations, but the two-year commitment deadline will resume with 2018 allocations. County staff continues to review potential sites identified by developers and will also update its map of potential sites from the tax repository list after the free and clear sale in June. The County is actively pursuing developers willing to build new affordable housing in Hanover to replace the units that were lost over the past few years.
- Dory reported that the Housing Authority's Creating Opportunities in Neighborhood Environments (CONE) board is setting up a development branch and plans to certify as a CHDO. They are currently looking at two (2) lots in Goldsboro in hopes of partnering with the County on a possible homebuyer project.
- Dory reported that Debbie Loucks is retiring in September, but the York Area Development Corp. (YADC) plans to continue operating as an approved Community Housing Development Organization (CHDO) for the County.

### **Adjournment**

Jerry Austin made a motion to adjourn the meeting at 11:07 a.m. The motion was seconded by Bill Koons and carried unanimously.