

LOAN COMMITTEE MEETING
March 17, 2016

- PRESENT:** Jerry Austin, Commercial Industrial Appraisal Services; Felicia Dell, York County Board of Commissioners; Fiona Eyster, York Traditions Bank; Amy Hampson, HealthChoices Management Unit; Tom Hoover, York County Controller's Office; Bill Koons, Presbyterian Senior Living; Bruce Rebert, Chairman; Mark Shea, Area Agency on Aging
- ABSENT:** David Cross, R.S. Mowery & Sons; Jessica Mockabee, York County Human Services
- STAFF:** Dory Brannon, Housing Chief; Michelle Trout, Development Specialist
- SOLICITOR:** Kurt Blake, Esquire
- GUEST:** Mark Mattern, Habitat for Humanity

Call to Order

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

Approval of Minutes

Bill Koons made a motion to approve the meeting minutes for February 2016. The motion was seconded by Fiona Eyster and carried unanimously.

Current HOME Application Round

Dory Brannon introduced Mark Mattern, Asst. Director for Habitat for Humanity and together they outlined the project for the Loan Committee. The project is new construction of a single-family home reserved for a veteran household located at 935 Conewago Avenue in Manchester Township. Dory explained the HOME Program requirements and timelines. She reported that Habitat recently held a VA fundraiser that netted more than half the funds needed to complete the project, and they also received grants from RAYAC and the Horn Foundation. They are requesting HOME funds to fill in the gap.

Mr. Mattern reviewed Habitat International's mission and outreach procedures for attracting homebuyers and outlined the sweat equity and other criteria they must meet in order to qualify. He advised that they currently have four (4) veteran families who are in the application process that look very promising. He provided general background information about each household and advised that they expect to make a selection for this project in the next few months. In addition, they hope to do more veteran builds in the future as opportunities arise.

Bill Koons inquired whether the homebuyers will be responsible for a mortgage. Dory explained that Habitat buyers pay 30% of their annual household income toward a 1st mortgage held by Habitat. The Habitat mortgage is a 30-year, 0% interest loan. The monthly payments cover the principal and escrow for taxes, insurance and municipal assessments such as sewer and refuse.

In addition, a 2nd mortgage will be held by the County for the difference between the final appraised value of the property and the amount of the Habitat 1st mortgage. The HOME mortgage is a 15-year, 0% interest forgivable loan, with no principal payments due during the term unless the homebuyer defaults on the terms of the 2nd mortgage and note.

Fiona Eyster made a motion to approve the application from Habitat for Humanity. The motion was seconded by Bill Koons and carried unanimously.

PFG Proposal/Request for Forgiveness

Kurt Blake reported that he met with PFG executives recently and they have revised their proposal to make a reduced partial repayment, but leaving a portion of the remaining debt in each project to be assumed by the buyer instead of requesting full forgiveness. This debt would be cross-collateralized in order to give the County additional leverage to protect its interest in the projects over the 30-year affordability period. As long as the buyer remains in compliance with the terms of the new agreements, the debt would be forgiven at a rate of 1/30th per year. Kurt also advised that the County should consider adding injunction language to these and future agreements to further strengthen its position.

Dory reported that PFG is anxious to sell these properties, but feels that it will be difficult to do so if the buyers are expected to assume all of the existing debt. They want the County to agree to the proposal prior to negotiating with a potential buyer. She also advised that these projects will not be eligible for any additional investment of HOME funds until the original affordability periods expire, so this will be a concern for a new buyer who will likely want to do some rehabilitation on these aging projects.

Amy Hampson expressed concern that if we are unable to invest any additional HOME funds in these projects, that the new buyer may not have sufficient reserves to make capital repairs. Discussion ensued about other possible sources of funds that we could allocate if needed and whether we should require PFG to leave money in reserves before exiting or require the new buyer to set up and maintain a sufficient replacement reserve account.

Mark Shea expressed concern that if the County agrees to this proposal without seeing the actual transaction details, that the owner could net a substantial profit after the County has forgiven a large portion of their debt. Several members agreed with this concern and the group discussed whether we should instead request a percentage of the sale proceeds and/or make the approval subject to review and approval of the new buyer, its management agent (if applicable) and the financial terms of the sale.

Bill Koons inquired about the status of the tax credit equity investors for each of the PFG projects and whether they have requested an exit strategy. Dory advised that the investors for three of the projects have already exited, and she did not get the impression from PFG that the others were looking to get out. She will research who the remaining investors are and report back on the status before the next meeting.

Jerry Austin made a motion to approve the concept of the PFG proposal, subject to review and approval of the buyer, its management agent and the financial terms of the sale to ensure that the payment to the County is fair. The motion was seconded by Mark Shea and carried unanimously.

Update on M'Calister Inn

Dory Brannon reported that Trone Properties did not renew its option agreement for the M'Calister Inn, so the property is back on the market. There is a small 1st mortgage and the County's soft second mortgage that must be assumed by a new buyer. The current affordability period expires in 2029. Occupancy has been stable and one commercial space is occupied. One drawback for potential buyers is the lack of parking for the building. Bruce Rebert advised that the property has an easement for 28 spaces in the parking lot across the alley behind the building. Staff will clarify this issue since the Manager has stated that those spaces are rented.

Update on Shrewsbury Courtyards Rehabilitation

Dory Brannon reported that everything is done and the final disbursement has been made.

Update on 219 Baltimore Street in Hanover

Kurt Blake reported that he recently met with Bill Hast and the director of the tax claim office. They requested that quit claim deeds be prepared and signed by both owners. Both deeds have now been approved and will be signed. They also requested updated letters from Hanover Borough and the Hanover School District reaffirming that they will waive the delinquent taxes.

Dory Brannon reported that County staff recently met with Hanover Borough officials and York Area Development Corp. (YADC) to review the engineer's report. As a result, it was decided that the best course of action is to also acquire the adjacent property at 227 Baltimore Street. The Borough has submitted an application for CDBG funds to demolish 219 Baltimore Street and YADC will submit an application for HOME funds for the acquisition and demolition of 227 Baltimore Street. We are not able to use CDBG funds for both because 227 is not eligible to be considered a blighted property due to the two existing tenants. The owner has agreed to a voluntary sale, but there will be relocation costs involved for the tenants.

Other Business:

Dory reported that the Executive Director of the York Housing Authority has resigned and will be leaving effective April 11th. Therefore, there has been no new discussion about the possibility of the Housing Authority acquiring the M'Calister Inn. We look forward to developing a positive working relationship with the new director and hope to have an opportunity to continue those discussions in the near future.

Adjournment

Bill Koons made a motion to adjourn the meeting at 11:00 a.m. The motion was seconded by Fiona Eyster and carried unanimously.