

LOAN COMMITTEE MEETING
September 21, 2017

- PRESENT:** Felicia Dell, York County Board of Commissioners; Amy Hampson, HealthChoices Management Unit; Bill Koons, Presbyterian Senior Living; Bruce Rebert, Chairman; Mark Shea, Area Agency on Aging; Jessica VanSickle, York County Controller's Office
- ABSENT:** Jerry Austin, Commercial Industrial Appraisal Services; Fiona Eyster, York Traditions Bank; Heather Kreiger, ROCK Commercial Real Estate; Jessica Mockabee, York County Human Services
- STAFF:** Dory Brannon, Housing Chief; Kim Baker, Administrative Assistant
- SOLICITOR:** Kurt Blake, Esquire
- GUESTS:** Steve Shirk, Significa Benefit Services; Brandon Johnson, Monarch Development Group; Debbie Loucks, York Area Development Corp.; Andy Cohen, WODA Development Group

Call to Order

Bruce Rebert called the meeting to order at 10:02 a.m.

Approval of Minutes

Mark Shea made a motion to approve the meeting minutes for August 2017. The motion was seconded by Bill Koons and carried unanimously.

Introduction to prospective loan committee member

Dory Brannon introduced Mr. Steve Shirk, who is currently living in Lancaster and working in healthcare, but has expressed an interest in possibly joining the loan committee.

Mr. Shirk summarized his previous background in the banking and real estate industries, and his ties to York County. Bruce Rebert welcomed Mr. Shirk to the meeting and advised that any nomination would require the approval of the County Commissioners.

Update on Pending Rental Development Applications

Monarch Development Group: Brandon Johnson of Monarch introduced himself and Debbie Loucks of York Area Development Corp. (YADC), who will be the non-profit partner on the project. He summarized the proposed 23-unit Sparrows Way rental townhouse development in Dover Township that will convert to homeownership opportunity after 15 years.

Debbie Loucks explained YADC's role in the proposed project and summarized the need for additional affordable housing based on the market study and an extensive waiting list of over 500 people for Village Court, a similar nearby apartment community.

Dory Brannon explained the HOME Program requirement of a 20-year affordability period for new construction, which means that when the project converts to homeownership after 15 years, perspective buyers would need to meet the HOME Program eligibility requirements through year 20. She also expressed concerns about some development costs that exceed County maximums and negative cash flow after year 15.

Mr. Johnson explained that the proforma was drafted to meet PHFA standards for adverse trending and debt service coverage ratios. He advised the budget will be adjusted prior to development as sources and uses are finalized and rent limits are updated for the LIHTC and HOME Programs. He also advised that the Architect fee will be reduced to meet the County limits and any Developer Fee that exceeds the County limit will be placed into an escrow account to be used for down payment and closing cost assistance for their homebuyers.

Bruce Rebert invited the committee to ask questions:

- Bill Koons asked if there were any plans to do a phased development and whether PHFA has done their pre-application site visit. Brandon advised that there is no contiguous land available, so there will be no subsequent phases. He said that PHFA is not doing site visits this round. Instead, there will be an opportunity to meet with PHFA representatives to review the application prior to submission.
- Felicia Dell asked for an update on the sewer capacity. Brandon advised that Dover Township confirmed that they do have the capacity to add more EDU's, but they are still required to submit a sewer-planning module to DEP for approval. To date, no modules have been denied. Brandon has spoken with DEP and the township and feels comfortable that the project will be approved.
- Amy Hampson asked what the rents would be at the project. Brandon explained that the rent for two units will be affordable at 20% of area median income (AMI), 10 units will be affordable at 50% AMI and 11 units will be affordable at 60% AMI. The average rent is \$817 for a two-bedroom unit and \$950 for a three-bedroom unit, which is below market for the area and below the current High HOME and LIHTC limits. He said the rents would likely be adjusted before completion to meet the current HOME and LIHTC limits. Debbie Loucks commented that she respects the need to charge rents that are sufficient to maintain the property throughout the affordability period.
- Bill Koons asked if there would be any supportive services provided to tenants. Brandon explained that they will partner with the YMCA to provide case management, connections with work training and daycare programs, budget counseling, links to the Low Income Housing Energy Assistance Program (LIHEAP) and similar benefits based on the individual needs of the tenant. He advised that there will be an escrow account set up to fund the services throughout the affordability period. Debbie Loucks clarified that her organization could also provide supportive services if needed.

Dory Brannon reported that the County has HOME Program funds available in the amount of \$1,527,000 and the 2018 allocation will likely be about \$557,000. Bruce Rebert advised that any commitments for rental housing development would be contingent upon PHFA approval of the tax credit application. Mr. Johnson clarified that PHFA applications are due 10/20/17 and awards will be announced in May. If approved, development costs will be finalized with closing expected to occur in the fall of 2018.

Bill Koons made a motion to approve the application for Sparrows Way contingent upon approval from DEP and Dover Township for the sewer capacity and approval from PHFA for the Low Income Housing Tax Credits. The motion was seconded by Mark Shea and carried unanimously.

WODA Development Group: Andy Cohen introduced himself and summarized the proposed 34-unit Stoneridge Commons rental housing development. He confirmed the site has now received the necessary re-zoning approval from Springettsbury Township.

Dory Brannon reviewed the changes in the new application as compared to the original. The total number of units was reduced from 42 to 34 and the sources of funding has changed. The new application indicates repayments to the County from a percentage of available cash flow through year 15. However, the revised sources and uses includes Pennsylvania Housing Affordability and Rehabilitation Enhancement Fund (PHARE) funds, which will most likely have loan terms similar to the PennHOMES Program where payments are made to PHFA from a percentage of cash flow. The County will be subordinate to any PHFA loan, and the proposal shows that the developer fee would be paid before the

soft debt, so there is a concern that there may not be sufficient cash flow to repay any part of the County loan.

Mr. Cohen was unsure of the repayment terms for PHARE funding, but said that traditionally, HOME jurisdictions and HUD understood that the expectation to repay HOME funds is an ideal; but in practicality, is not feasible in tax credit projects because of the requirement to underwrite project expenses higher than revenue and the nature of other funding sources.

Felicia Dell explained that the County has successfully underwritten other HOME projects with repayment terms and the County is keenly focused on building local resources to continue preserving and creating affordable housing in the community. Mr. Cohen agreed to speak with PHFA on how to revise the underwriting to be more favorable to the County.

Dory Brannon reported that although there was a concern about the fact that there are several existing apartment communities within 1.5 miles from the proposed project, the market study shows high occupancy rates and strong waiting lists at those communities. Therefore, the market study does support the need for the project.

Dory advised that HUD requires a 20-year affordability period for new construction, and expressed a concern that the property has negative cash flow after year 18 per the operating proforma. Mr. Cohen explained that typically, they would seek to refinance and upgrade a tax credit project after year 15 and the County loan would be in the waterfall for pay back at that time. Dory clarified that the County would not be able to invest any additional HOME funds in the project during the affordability period. Mr. Cohen confirmed that he understood.

Dory advised the committee that the County guidelines have a maximum per unit subsidy of \$40,000 per unit and the proposed per unit subsidy is higher, but exceptions may be made on a case-by-case basis.

Bruce Rebert invited the committee to ask questions:

- Felicia Dell asked who is providing supportive services. Mr. Cohen advised that supportive services will be provided by American Healthcare Group of Pittsburgh a minimum of one hour per week for every five units to meet PHFA requirements. The supportive services escrow will be funded through year 15.
- Bruce Rebert asked if American Healthcare Group had a local office. Mr. Cohen advised that they do not, but will hire a local service coordinator to work on site and the Property Manager is responsible for ensuring that services are provided according to the supportive service plan submitted. He advised that supportive services are also monitored by PHFA annually.
- Felicia Dell asked where the draw will be for residents of this community. Mr. Cohen advised that the primary market area is the greater York area and the market study indicated seven comparable housing communities in the market area.

Mark Shea made a motion to approve the application for Stone Ridge Commons contingent upon PHFA approval of the Low Income Housing Tax Credits. The motion was seconded by Bill Koons and carried unanimously.

Bruce Rebert thanked the representatives from Monarch and WODA for their contributions and they exited the meeting at 10:50 a.m.

Update on M'Calister Inn

Dory Brannon reported that the elevator upgrade work is ready to start and the resident meeting was held a few weeks ago to review the plans and provide relocation assistance options. To date, there have been no requests to the County for relocation assistance. Management staff is coordinating with local emergency

services to ensure that disabled residents are safely evacuated in the event of an emergency during the construction period. They are also coordinating with local churches and service organizations to assist mobility-impaired residents with scheduled grocery delivery and trash collection.

Dory reported that the heating and cooling system is deteriorating, but there are no operating funds to repair or replace the system. There has been no real progress on the recapitalization plan, but a conference call with HDC MidAtlantic is scheduled for Friday, September 22 to discuss the status and determine the next steps. She said that she is still working with HUD on a way to get rent subsidies for the project, but is not optimistic. She explained that if recapitalization with federal funds is not possible due to the extensive cost to replace major systems and make other capital improvements, the County might consider talking with a market rate developer who might be interested in rehabilitating the building with private capital. She advised that if the building ultimately closes, the County would offer tenant-based rental assistance to the existing residents who will be required to move.

Bruce Rebert complimented Dory and the County staff on all the research and hard work that has gone into trying to save this distressed property.

Update on 219-227 Baltimore Street

Felicia Dell distributed some pictures of the cleared site and reported that it is now ready for construction. The architect has submitted revised plans to Hanover Borough to use stick-built construction instead of the originally planned modular units. The borough approved the plans and is preparing to transfer the deed to the developer, York Area Development Corp. (YADC). The security fences will remain in place during construction until they become an obstacle. Bob Drawbaugh, the Rehabilitation Specialist for the Planning Commission monitored the project during demolition and will continue to monitor construction of the four new townhomes.

Other Business

- Bill Koons asked if the County expects any other HOME applications because this PHFA tax credit round will be so competitive that it is unlikely that more than one or two York City or York County projects will be funded. Dory advised that there are no other rental housing developments pending, but the County may have a homebuyer project coming up in Wellsville.
- Felicia Dell advised that the Planning Commission created a subcommittee to assist municipalities with senior housing initiatives to address the needs of their aging population. She advise the loan committee members that they may receive an e-mail inviting them to tour a few York County senior housing facilities and provide insight into what has been working and make recommendations.

Adjournment

Bruce Rebert called to adjourn the meeting at 11:18 a.m.