

The Regular Meeting of the Board of Commissioners was convened at 12:04 pm on Wednesday, February 16, 2005 at the Housing Authority of Snohomish County.

Present: Commissioner Anderson
Commissioner Boyle
Commissioner Davis
Commissioner Goulet
Commissioner Lewis

Excused: Commissioner Vander Lugt
Commissioner Emeritus Gese

Staff: Bob Davis, Executive Director
Pete Grodt, Policy and Programs Special Assistant
Rickie Bates, Director of Administrative Services
Elizabeth Berry, Tenant Based Assistance Director Emeritus
Steve Kehler, Director of Asset Management
Duane Leonard, Finance Director
Ann Schroeder-Osterberg, Director of Development, Construction and Maintenance
Val Sutherland, Housing Rehab Manager
Jenisa Story, Administrative Assistant

Counsel: Jay Reich, Preston, Gates & Ellis

Guest: Troy Ott, former owner of Cascade Valley Apartments

CONSENT ITEMS

Commissioner Lewis moved for approval of consent items. Commissioner Anderson seconded and the motion passed unanimously to adopt the following:

Item B. – Approve Agenda for the February 16, 2004 Regular Meeting

Item C. – Action on Minutes of the January 19, 2005 Regular Meeting

Item D. – Resolution No. 1535 Authorizing Payment of January 2005 Expenditures

INFORMATION ITEMS

Item E. – Development and Construction Progress Report

Ann Schroeder-Osterberg updated the Board about the East Terrace and Fairview funding applications. The Snohomish County Technical Advisory Committee and County Council staff have both recommended that the Snohomish County Council approve the \$750,000 application for building funding. The Housing Authority should hear the final decision in the next few weeks. In analyzing the sites, architects believe that the Housing

Authority can build 7 new units at Fairview and 12-14 new units at East Terrace. Once completed, Pathways for Women YWCA will partner to provide supportive services.

The owner of Sound View and Olympic View has decided to take the properties off the market. Bob and Ann met with the real estate broker to communicate that staff is still interested in the acquisition should it become available in the future.

The purchase of Autumn Leaf has closed. Staff is planning a flag raising ceremony. The seller asked the Housing Authority to cover \$15,000 in holding costs due to the delay in County funding. Staff agreed to the change in terms.

LIHI is no longer interested in having the Housing Authority provide conduit financing for its Meadowdale acquisition. They are receiving funding from the Washington State Finance Commission.

Sales are going well at Kokanee Creek. Staff is working on transferring the First Time Home Loan Program to HomeSight. BECU continues to provide loans to homeowners at Thomas Place. Staff has 26 Rehab loans closed or in the process for this fiscal year. The Housing Authority has received funding to continue the program next year.

Capital improvements continue at many of the properties. Asphalt repair and cabinet replacement are being completed at Ebey Arms. Many of the Public Housing units are receiving new closet doors. The improvements at Fairview are almost complete.

A total of \$248,000 from PUD was spent on window replacement and weatherization last year.

Item F. – Financial Report

Duane Leonard reported that the Washington state audit is complete. Staff is currently involved in the audit of tax credit properties and tax returns. Duane explained the Financial Report provided to Commissioners with their board packets. The funding for the Section 8 program does not cover the cost of HAP. Therefore, the Housing Authority cannot fund the full number of allowed vouchers. The 2005 federal budget now uses the calendar year as the fiscal year. Staff is hoping to get a year end statement in April. The Section 8 program is becoming a dollar-based program, where housing authorities can determine how many families to house based on the funding given. The Public Housing budget report has been changed to include reserve balances. This program is operating well. The Housing Authority received more operating subsidy than originally anticipated at the beginning of the year. Revenue at the Rural Development senior projects is ahead of budget due to low turnover. Craigmont is on target. Soap Suds remains under budget for revenue due to the delay in issuing project based vouchers last summer. Fairview has had a number of tenancy problems and evictions, which have negatively impacted the dwelling income. Woodlake Manor is close to budget. Expenses are under budget and utility cost was lower than expected. The Local Fund is on target, although the original budget planned for the Local Fund to lose money this year. Developer fees will come in March or April.

The Affordable Housing complexes are generally close to budget, but vary depending on rental activity. Centerhouse is in a competitive market and continues to struggle. Raintree Village is on target with both revenue and expenses. Valley Commons is behind on revenue due to turnover, but the complex is benefiting from excess bond proceeds that are being used for appliance replacements and other improvements. Thomas Place expenses are high due to storm drain maintenance and staff time spent on tenant education regarding condo conversion. Millwood Estates has benefited from increased rental traffic and dwelling income. From January to June 2004, the occupancy rate was 90-91%. Currently, Millwood has a 98% occupancy rate. Millwood has also suffered casualty losses. Last August, a flash flood required the recarpeting of 8 units. There was a fire in the community room in December as well as a unit fire in January. Operating expenses are below budget at Edmonds Highlands. Capital improvements at Ebey Arms have caused delays in unit turnover, but the complex is below budget on operating expenses. There is not much to report on Aurora House and Head Start. Indirect Costs are under budget \$10,000. Equipment lease/repair is over budget due to the postage meter and copy machines. Equipment purchases are over budget due to phone upgrades.

Item G. – Tenant Based Assistance Report

Elizabeth Berry reported that 200 individuals have been put on hold for voucher issuance. They have been told to look for housing, but the voucher is not guaranteed until they have completed the process. Issuance of new vouchers for special program set asides has been closed. Two new managers have been hired for the department. Debbi Tesch has experience working with the Bremerton Housing Authority. Gail Faulkner has managed both tax credit and rural development properties.

Item H. – Asset Management Report

Steve Kehler provided an asset management report. He explained that vacancies are down at our affordable housing properties. Average occupancy is 97%, compared to 90% last year. Four properties hit 100% occupancy this past month. Edmonds Highlands has had a recent manager change, which hopefully will not affect vacancy rates. Staff is thinking about rent increases at some of the properties. No concessions were offered in January.

Steep goals were set for the tax credit properties. While these goals were not reached, the occupancy rate is up to 93%. Now that the market rent is low, tenants who typically rent in our properties have more rental options.

The unit turnaround time for public housing is around 13 days. Staff is working to improve this. Staff has also taken a strong approach on pay-or-vacate notices. Seven evictions were processed in January.

Vacancies are up in rural development properties in large part due to eleven deaths in senior housing properties since the beginning of the year. This has created much more paperwork than staff anticipated. Staff is working hard to improve Fairview.

Item I.—Administrative Services Report

Rickie Bates reminded the Board that Ralph Davis has reached his term limit and will be leaving the Board in March. The Snohomish County Council did a press release regarding the opening. Marilyn Komnick, a former caseworker from Sultan, has expressed an interest in filling the position. Two new managers were hired for the tenant based assistance department. They will join the Board for introductions at a later date. The new loan processing assistant began work yesterday. Staff briefings are being held this week to train staff on the Family Medical Leave Act.

Item J. – Legal Counsel Report

Jay Reich reported that legal counsel has been working on a number of drug related evictions as well as assisting in the closing of Autumn Leaf. Staff is waiting to receive word on the Department of Revenue issue. Depending on the result, more legal work may be required.

Item K. – Executive Director Report

Bob informed the Board that he gave Commissioner Goulet a tour of the Marysville properties. In March, he will take County Executive Aaron Reardon on a tour. HUD released the 2006 budget proposal. They have proposed to remove the Community Development Block Grant funding from the HUD budget. This would essentially eliminate the program.

Althea Cawley-Murphree will be attending the NAHRO Legislative Conference with the Commissioners. Since the next Board meeting is during the conference, the Board meeting will be rescheduled to March 9th at noon.

ACTION ITEMS

L. Resolution No. 1536 Revising the Portability Chapter of the Housing Authority of Snohomish County Administrative Plan for the Section 8 Housing Choice Voucher Program

Pete explained that when individuals port out to other housing authorities, HASCO has to base its HAP payment on the receiving housing authority's payment standards. In many instances, this causes the Housing Authority to pay more than its own payment standard. Out of 112 families that have ported out, 48 went to areas with higher payment standards. As much as \$3684 per month could be saved if the Board adopts this resolution.

Commissioner Lewis moved to approve the resolution. Commissioner Boyle seconded and the motion was unanimously approved.

M. Resolution No. 1537 Authorization for Foreclosure Action against Troy Ott for Default on Terms of Rental Rehabilitation Loan Agreement

This issue was introduced at the last meeting. Ann explained that a \$91,674.55 loan was given to Troy Ott on September 13, 1994 to rehabilitate Cascade Valley Apartments. This was a 0% interest loan forgivable over ten years as long as Mr. Ott met the loan requirements. The requirements included an owner match, completing the rehabilitation, renting units without discrimination, providing annual reports of demographic data, affirmatively marketing units for seven years, and receiving permission before selling the property. The ten year loan period began on May 8, 1995 upon final inspection. In September 2004, staff received a notice of cancellation of insurance. Upon further research, staff discovered that Mr. Ott no longer owned the property. In July 2003, he transferred the ownership to OCO Enterprises and, in August 2004, the property changed ownership again to Cascade Valley Apartments LLC. Both the insurance cancellation and the transfer are cause for loan default. The default began in July 2003 and, therefore, two years' forgiveness is owed or a total of \$18,334.87. Mr. Ott refused to pay, so staff recommends foreclosure.

Troy Ott replied to the staff position. He explained that he notified Section 8 staff about the change in ownership. The new owner was supposed to send new insurance information, but apparently forgot. Mr. Ott stated that although he did sell the property, he is still the contract holder. He believes that HASCO improperly proceeded in the matter, so he should not be responsible for HASCO error. Mr. Ott also stated that he feels the Housing Authority does not hold its clients accountable, so he took offense to a statement in a letter Bob Davis wrote him on February 9, 2005. The Board should take into account problems with the contractor, unanticipated expenses and taxes, and over \$40,000 in repairs due to contractor negligence. Mr. Ott questioned the ending date of the ten year period and wondered why it did not end last fall. He stated that he used the loan agreement in good faith. From his perspective, the Housing Authority benefited from its association with Mr. Ott and Cascade Valley Apartments. Mr. Ott indicated that he did not know that he needed permission before transferring the property. He believes that he complied with the loan requirements. The name change and sale did not warrant any Housing Authority action.

Commissioner Davis asked for clarification regarding the second transfer and whether or not it was an outright sale. Mr. Ott explained that it was a sale.

Bob Davis stated that there must have been some confusion between the rehabilitation loan program and being a landlord on Section 8. Notifying Section 8 staff does not qualify as informing the Housing Authority about the sale of property. Staff recommends foreclosure because they expect a certain level of performance from a borrower. Public funds are given and the property owner must comply with the loan requirements. Prior written consent is required from HASCO before property can be sold. This requirement is in the Deed of Trust. Bob also stated that at the January meeting, Mr. Haglund, Troy Ott's attorney, only seemed to be aware of the first transfer and did not address the second transfer/sale.

Commissioner Boyle moved to approve the resolution. Commissioner Lewis seconded and the motion was unanimously approved.

After voting, Commissioner Davis thanked Mr. Ott for his time and informed him that he would need to work with Bob Davis in order to resolve the issue. Mr. Ott explained that he would like to settle the bill and avoid a foreclosure, but he would not pay the added additional expenses. He asked for an immediate decision on the additional expense payment. Bob explained that he would take it under advisement, but would not make a decision at the meeting.

ADJOURNMENT

There being no further business to come before the Board, Commissioner Anderson moved to adjourn the meeting. Commissioner Goulet seconded and the motion passed unanimously. The meeting adjourned at 1:49 pm.

Ralph Davis, Chairperson

SEAL

ATTEST:

Secretary