

The Regular Meeting of the Board of Commissioners was convened at 12:03 pm on Wednesday, June 15, 2005 at the Housing Authority of Snohomish County.

Present: Commissioner Anderson
Commissioner Goulet
Commissioner Komnick
Commissioner Lewis
Commissioner Emeritus Gese

Excused: Commissioner Boyle
Commissioner Vander Lugt

Staff: Bob Davis, Executive Director
Ann Schroeder-Osterberg, Director of Development, Construction and Maintenance
Duane Leonard, Finance Director
Manu Morgan, Tenant Based Assistance Director
Rickie Bates, Director of Administrative Services
Steve Kehler, Director of Asset Management
Jenisa Story, Administrative Assistant

Counsel: Stacey Crawshaw-Lewis, Preston, Gates & Ellis

CONSENT ITEMS

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

Item B. – Approve Agenda for the June 15, 2005 Regular Meeting

Item C. – Action on Minutes of the May 18, 2005 Annual Meeting

Item D. – Resolution No. 1555 Authorizing Payment of May 2005 Expenditures

INFORMATION ITEMS

Item E. – Development and Construction Progress Report

Ann Schroeder-Osterberg provided the final budget numbers for the Markland Woods project. Markland Woods was originally intended to be a condominium development, but the previous owner had used it as rental housing. The Housing Authority purchased the property for its first attempt at condominium conversions.

The project had six goals: to sell affordably priced units, to offer a quality product, to sell at least half the units to low income families, to give existing tenants the opportunity to buy, to provide homebuyer training, and to break even financially. The project had a wide range of buyers including families and older couples. 51% of the buyers were low

income and 11% were existing tenants. All buyers were offered purchase assistance if needed.

The final numbers varied from the original budget. The costs increased 8% and the sales prices increased 7%. When all the loan proceeds have come in, the project will have a loss of a little less than \$200,000. The project net was negative by \$750,000. This is largely due to increased costs and loan penalties. Renovation costs were 26% higher than budgeted due to changes in scope and dryrot. Interest and payment penalties cost \$600,000 more than anticipated. Staff chose variable rate financing with a payment agreement. There was no way to predict how long it would take to sell the condos. The financing structure allowed for a seven year sales period and had a cap on rising interest rates. Units sold in three years and interest rates dropped.

Item F. – Tenant Based Assistance Report

Manu Morgan presented the monthly rent roll and lease up reports. There was a net gain of 51 families to the program.

Item G. – Asset Management Report

Steve Kehler distributed the monthly vacancy comparison report. The affordable properties are doing well. All of the current vacancies have been re-leased. The rental market has improved significantly. Edmonds Highlands averages 6-7 new rentals a month. The Millwood community room has reopened from its remodel due to fire damage in the winter. Summer activities at many of the properties are underway. All of the tax credit properties are over 95% occupied. Whispering Pines has a new manager whose focus is on becoming more customer friendly. The leasing office and community room have received some decorating improvements. Public housing met the goal of an 11 day unit turnaround, which is a one day improvement. Delinquencies have gone down. Rural development averages 8-9 vacancies a month, which is double the normal rate. Staff has been consulting with Monroe police about Fairview. Former tenants have been visiting the property and causing problems.

Item H. – Administrative Services Report

Rickie Bates reminded the Board about two upcoming events: Elizabeth Berry's retirement party on June 27th and the Ralph Davis gazebo dedication on July 15th. Elsie and Rickie met to discuss the Executive Director's performance evaluation. At the July meeting, the Board will have an Executive Session to discuss the evaluation and Board representatives will meet with Bob Davis after the meeting to do the evaluation.

Item I. – Legal Counsel Report

Stacey Crawshaw-Lewis reported that legal counsel has been working on evictions and reviewing documents for the Autumn Chase Apartments purchase.

Item J. – Executive Director Report

Bob Davis informed the Board that he gave Representative Jay Inslee a tour of Housing Authority properties in south Snohomish County. Bob has a meeting scheduled with Councilman John Koster about options for dealing with mobile home parks that are being closed down. The County is looking into options to address this issue. The Housing Authority may be asked to participate in a solution to this housing problem. The federal budget is currently in the appropriations process. The House is looking at a new version of the flexible housing program.

ACTION ITEMS

K. Resolution No. 1556 Revising the Housing Authority of Snohomish County Administrative Plan for the Section 8 Housing Choice Voucher Program

Manu explained that over 350 families currently receive a utility allowance. If approved, this change in procedure would cut costs in staff time and postage.

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

L. Resolution No. 1557 Ratification of Agreement of Sale for Purchase of Autumn Chase Apartments

Ann reminded the Board that the property is located in the Bothell area and the Housing Authority does not own any properties in that part of the County. There are seven residential buildings located on 22 acres. A letter of intent was submitted on April 18th. During the 45 day due diligence period, staff did an invasive inspection of the property. Approximately \$500,000 worth of capital repairs will need to be done immediately. These repairs are mostly related to decks and roofs. Staff still needs to discuss a price reduction with the owner.

Commissioner Komnick moved to approve the resolution. Commissioner Goulet seconded and the motion was unanimously approved.

M. Resolution No. 1558 Amending the Personnel Manual, Position Classification Plan and Salary Schedule

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

BUDGET PRESENTATION

Duane explained that the proposed budget for Fiscal Year 2006 is similar to the 2005 budget and was calculated taking into account a variety of factors. Indirect costs encompass salaries for the executive and finance departments. Overhead is charged based on the unit size. Capital improvements follow a life cycle approach. Inspections

are done annually to assess the needs of each property. Staff identifies priority improvements and forecasts future needs. This process helps staff plan how much money should be set aside in the reserves. There are 13 outstanding revenue bond issues: 7 for conduit financing and 6 for Housing Authority owned properties. There is a potential to refinance the loan for Whispering Pines and the Josephine Sunset bonds may be refinanced through the State.

Employee salaries have increased 2.7% due to the COLA. There is an overall reduction of three employee positions. Medical premiums have increased; consequently, employee contributions for medical premiums have increased to 12.5%.

Housing Authority revenues come from a variety of sources. Approximately 71% of the revenue is from grants and subsidies. HAP payments make up 74% of the Housing Authority expenses. Wages and benefits account for 10% of the expenses. Overall revenues have gone down 5.58%.

The Section 8 program has changed many times over the last three years. In 2002, the Housing Authority was leasing up new vouchers. In 2004, new federal appropriations changed the way the program was administered. In 2005, further changes eliminated the per unit standard. In 2006, staff anticipates that the Housing Authority will receive similar funding for administration, but possible cutbacks in HAP funding. The proposed Housing Authority budget assumes a 5% cut in HAP funding. Since renewal funding is based on the calendar year, staff has to estimate funding levels for the first part of 2006. HUD no longer funds the full cost of a Section 8 voucher. Staff is monitoring HAP funding closely and has implemented cost containment strategies. The Section 8 program is projected to operate in the black with a \$23,800,000 budget.

Public Housing rents and operating subsidy are expected to increase. Revenue should increase by 5.1% and operating expenses by 7.4%. The federal government has mandated the implementation of site-based management. This should be in place by 2006 for all housing authorities with 250 or more units. The Housing Authority has 253 units. Staff does not anticipate much funding this year from the comp grant, a Public Housing capital grant.

Rural Development has not budgeted for rent increases this year. There is a 4% increase in operating expenses related to wages and utilities. For the past three years, reserves have been set aside for capital improvements. Staff has planned \$550,000 worth of capital improvements this fiscal year. Most of the work will be for siding at River Vista and Craigmont and possibly kitchen remodeling. Both Fairview and Woodlake Manor III have no set aside money in reserve. These properties are budgeted to lose money this year.

The Local Fund is comprised of all unrestricted revenues. Accumulated funds carry over from one fiscal year to the next. Capital expenses from the Local Fund include \$55,000 for roof repair to the office building. There is an anticipated net operating loss of \$220,000. Revenues are budgeted to increase 21%, which includes \$100,000 in

developer fees from Whispering Pines. Expenses are budgeted to decrease 13% due to lower wage and benefits costs.

Affordable Housing properties have not improved much over last year's budget.

M. Resolution No. 1559 Approving the FY06 Consolidated Budget

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

ADJOURNMENT

There being no further business to come before the Board, Commissioner Lewis moved to adjourn the meeting. Commissioner Goulet seconded and the motion passed unanimously. The meeting adjourned at 2:10 pm.

Elsie Anderson, Chairperson

SEAL

ATTEST:

Secretary