

**PRINCETON HOUSING AUTHORITY
MINUTES OF THE MONTHLY MEETING
May 15, 2018**

The members of the Board of Commissioners of the Princeton Housing Authority met in regular session at the Henry F. Pannell Learning Center, 2 Clay Street, Princeton, NJ.

The meeting was called to order at 6:15 p.m. by Chairperson Newlin and upon roll call, those present and absent were:

Present: Commissioners Newlin, Sippelle, Logan, Pannell, Tuck-Ponder, McGowan and Weiss, Attorney Cochran
Absent: Liaison Liverman
Guests: Richard Ginetti - RAD Consultant
Tony Giampaolo - Accountant
Diane Johnson - via telephone - Consultant
James Kelly - Maintenance Supervisor

Opening Statement

A motion to open the meeting was made by Mr. McGowan and seconded by Ms. Sippelle. All were in favor

The following is an accurate statement concerning the providing of notice of this meeting:

Adequate notice to the public of the time, date and place of this regular meeting of the Board of Commissioners of the Princeton Housing Authority to be held on Tuesday, May 15, 2018 at 6:15 p.m. at the Henry F. Pannell Learning Center, 2 Clay Street, Princeton, New Jersey was given by:

1. Providing notice of the same to the Municipality of Princeton, 400 Witherspoon Street, Princeton, New Jersey, for posting on the bulletin board reserved for notices of public meetings, at least 48 hours in advance of the meeting; and
2. Providing notice to and causing to be published in the Princeton Packet, official newspaper of the Princeton Housing Authority, notice hereof; and
3. Filing notice hereof with the Clerk of the Municipality of Princeton at 400 Witherspoon Street, Princeton, New Jersey.

This announcement of the Board of Commissioners' compliance with the notice provisions of the Open Public Meetings Act shall be duly entered in the minutes of the meeting.

I. Public Comment Period

Ms. Patty Yates inquired about the status of the tenants' group membership in NAHRO and the group bank account. Mr. Newlin advised that the membership application and fee check were processed and sent and that the application approval was still pending. Attorney Cochran advised that once the membership application was approved, we would move forward in opening the bank account. Ms. Yates requested permission to use the Henry F. Pannell Learning Center for tenants' group meetings and for keys to allow access for the meetings. Mr. Newlin advised that maintenance would provide the necessary keys. Finally, Ms. Yates requested further information regarding the planned maintenance clean up of Clay Street. Mr. Kelly will speak with Ms. Yates this week and come up with a mutually acceptable date.

II. Approval of Minutes.

A motion to approve the minutes of the April 17, 2018 regular meeting was made by Ms. Tuck Ponder and seconded by Ms. Sippelle. All present at that meeting were in favor. A motion to approve the minutes of the April 22, 2018 special session meeting was made by Mr. McGowan and seconded by Ms. Logan. All present at that meeting were in favor. A motion to approve the minutes of the April 30, 2018 special work session meeting was made by Ms. Tuck Ponder and seconded by Mr. McGowan. All present at that meeting were in favor.

At this point in the meeting, Chairperson Newlin observed that the Board had two guests, Mr. Ginetti and Mr. Giampaolo, who were present to assist the Board in understanding the RAD conversion and the adoption of the State Budget. He asked the Board's indulgence in working with dispatch through the Monthly Reports in order to spend more time on the two most important issues.

III. Approval of Payment of Bills.

Copies of the April, 2018 check registers were provided to all Commissioners.

IV. New Business reports

Tenant Balances:

Chairperson Newlin advised that the tenant balance report was much higher than usual and that he had asked bookkeeper Ron Caporelli to provide more detail. As soon as Mr. Caporelli compiles that information, an email will be sent to all Board members.

Vacancy Report:

Mr. Kelly advised that as of May 15, 2018, there is only one vacancy that maintenance is in the process of returning on line.

Financial Statements:

Current financial statements were provided and reviewed by the Board.

HUD 50058 Delinquency Report:

All Commissioners were provided with a copy of the current HUD 50058 Delinquency Report which indicated that the Princeton Housing Authority's reporting rating was 100%.

RAD Conversion Update:

At this point, the meeting was turned over to the PHA RAD consultant, Richard Ginnetti of the Brooke Group, LLC, who is the individual who has been involved with the PHA RAD conversion since the beginning. The purpose of Mr. Ginnetti's presentation was to 1) fully familiarize the Board with the differences between the current form of HUD funding of our operations and capital expenses and the RAD form of funding; 2) Advise as to the status of the pending RAD closing; and 3) Answer any and all questions regarding RAD.

Mr. Ginnetti explained that for several years, HUD has been transitioning away from its traditional form of funding of public housing which has been around since the 1970s. He related that even if PHA did not convert to RAD this year, he was almost certain that HUD would require it to in the near future and that the terms of the conversion may be less favorable. Essentially, he explained, once PHA converts to RAD, PHA will be able to operate, for the most part, like a private low income housing landlord. Specifically, the HUD restrictions (through the Declarations of Trust) which encumber Clay Street, Redding Circle, Spruce Circle and Karin Court would be removed, thus freeing up PHA to seeking financing from a variety of sources presently unavailable to it such as low income tax credits, partnering with another entity (e.g., Princeton Community Housing), floating its own tax free bonds or even traditional bank financing.

Presently, PHA's income is a combination of three sources of income: 1) Tenant rents; 2) HUD operating subsidy; and 3) HUD capital funding grants. Mr. Ginnetti explained that there were two basic forms of RAD funding, the Project Based Voucher Program (*i.e.*, "Section 8") or the Project Based Rental Assistance. Although the Voucher Program offers a few additional advantages over the Rental Assistance Program, PHA did not qualify for the Voucher Program as it did not have an authorized entity to receive the vouchers. Under the either RAD program, the three traditional revenue sources are combined together. For PHA, HUD has determined that the mean contract rent for each unit is \$1,200 per month. Under RAD, after deducting the tenant portion of the monthly rent (capped at 30% of the tenant's family income), HUD would make a HAP ("Housing Assistance Payment") of the difference. Put another way, under RAD, PHA will know exactly, subject only to prolonged unit vacancies, what its annual income will be each year when the budget is developed. That number will be \$1,200/mo x 208 units enrolled in RAD or \$2,912,000. Each year, HUD publishes its equivalent of a cost of living increase in the contract rent. In 2018, for New Jersey, that increase was 2.4%. Once under RAD, PHA will be responsible to place into a capital reserve fund the excess income it receives over the operating expenses to pay for future repairs.

Messrs. Ginnetti and Giampaolo both stressed to the Board that under the current budget projections, even with the capital reserve set aside, PHA was showing a surplus. They both explained that the surplus could be used to pay the debt service on a long term larger loan (e.g., a mortgage payment) to finance large scale repairs or redevelopment efforts. This option is not available under the current HUD funding. Moreover, under the current HUD funding program, high performing Authorities such as PHA are penalized the year after a surplus by a reduction in HUD capital funding. Mr. Ginnetti briefly described numerous financing mechanisms permitted under RAD which would enable PHA to raise sufficient funds for major renovations to its existing housing stock.

Messrs. Ginnetti and Giampaolo also pointed out another important difference between the current funding program and the RAD funding. Presently, HUD will continue to fund the operating subsidy for a vacant unit for up to 6 months. Under RAD, it will pay the HAP for the first 60 days of vacancy only. They further observed that PHA has historically operating at a 99% occupancy rate and that the HAP payment already assumes a 95% occupancy rate, giving PHA a 4% cushion. They also noted that it is a rare exception when PHA has a unit vacant for more than 60 days.

Mr. Ginnetti next explained what would happen when PHA converted to RAD. Assuming that PHA proceeds as planned, the closing would be this month, but the actual conversion date would coincide with our fiscal year. Accordingly, it would take effect July 1, 2018. For the remainder of the year, the operating subsidy funding would not change and HAP payments would begin January 1, 2019. Also, the remaining capital funding will be paid in a lump sum on July 1 and neither the operating subsidy nor the capital funding will be subject to HUD restrictions as under the present program, but, instead, will be treated under the RAD program meaning that any excess can be reserved for future spending.

Finally, Mr. Ginnetti and Attorney Cochran advised the Board that the RAD closing for Clay, Redding, Spruce and Karin Court was scheduled for May 26, 2018 and that HUD has just FedEx'ed the closing package to Attorney Cochran today. Mr. Ginnetti urged the Board to approve moving forward with the closing because, he opined, failing to do so would cause HUD to rescind our approval and that PHA would later be forced to convert to RAD in the near future under what may be less advantageous circumstances.

Upon a motion made by Ms. Tuck Ponder and seconded by Mr. McGowan, the Board unanimously voted to approve going to closing on the RAD conversion on or about May 26, 2018.

State Budget F/Y/E 6/30/19:

Mr. Giampaolo presented a continuation of his overview of the State budget from the Board's last meeting on April 30, 2018. He stressed that the budget needed to be viewed as only a "projection" of expenses and that any single line item could be increased, decreased or eliminated as circumstances dictated.

Chairman Newlin questioned certain specific line items, namely "Cash Reserve Requiem" and "board meeting expenses". Mr. Giampaolo advised that the cash reserve requiem resulted from a change in the law a number of years ago requiring the State and its subsidiaries to account for the accruing cost of lifetime benefits and pension costs for current employees after they retire. He explained that the number is the operation of a complex statutory formula and assumes a worst case scenario whereby everyone retires at the same time and the entire amount becomes due. He further noted that this possibility would almost certainly never happen and that, in any event, it was required simply to be shown as a future obligation. With respect to the board meeting expense, Mr. Giampaolo advised that many, if not most, other Authorities provide some type of catering at their board meetings (*e.g.*, light sandwiches, coffee and cake, cookies, soft drinks, etc.) inasmuch as the members are all volunteers and this is a HUD recognized "ordinary expense". He advised that some authorities even hold off site "retreats" so that Board members can be immersed in a particular subject or issue without the usual distractions of a regular meeting. Simply put, he advised that he included it as some "fluff", and if it was not used at the board meetings, it could be used for office supplies, maintenance supplies or anything else.

Upon motion made by Mr. McGowan and seconded by Mr. Pannell, the Board unanimously adopted Resolution 2018-6 approving the State Budget as is reflected in the attached Resolution.

Upon motion made by Ms. Tuck Ponder and seconded by Ms. Sipprelle, the Board unanimously adopted Resolution 2018-10 approving the late submission of the State Budget approval as reflected in the attached Resolution.

Committee Formation and Appointments:

Chairperson Newlin announced the formation of the following committees of the Board: Personnel, Budget/Finance and Tenant Relations. Each committee will be responsible to review and make recommendations concerning, respectively, the Personnel Policy and personnel needs, the budget and financing under RAD and tenant relations.

The committee composition will be as follows:

Personnel: Ms. Sipprelle, Ms. Tuck Ponder and Mr. Newlin

Budget/Finance: Mr. McGowan, Mr. Weiss and Mr. Newlin

Tenant Relations: Mr. Pannell, Ms. Logan and Mr. Newlin

Upon motion made by Mr. McGowan and seconded by Mr. Weiss, the Board unanimously approved the formation and staffing of these committees.

YMCA Summer Camp Program:

Upon motion made by Ms. Sippelle and seconded by Ms. Logan, the Board unanimously approved PHA entering into the Memorandum of Understanding with the YMCA by which PHA will, as it has done for many years, fund \$14,000 toward the cost of its resident children attending the YMCA summer camps.

Chairman Newlin executed the MOU on behalf of PHA.

Redevelopment Subcommittee:

Mr. McGowan reported that the municipality of Princeton will be holding a public meeting on May 17, 2018 at which its COAH number and plans to address it will be discussed.

V. Unfinished Business:

There being no further regular business, a motion to adjourn the meeting was made at 8:180 p.m. by Ms. Sippelle and seconded by Mr. McGowan. All were in favor.

Respectfully submitted,

Glenn R. Cochran (Acting Secretary)