

**MINUTES OF A SPECIAL MEETING
OF THE BOARD OF COMMISSIONERS
OF THE MOLINE HOUSING AUTHORITY**

June 27, 2011

The special meeting of the Board of Commissioners of the Moline Housing Authority was held at 5:30 PM in the Spring Brook Administration Building Board Room located at 4141 11th Avenue A, Moline, IL 61265.

Board members present were Vice-Chairperson Kathy York, Melvin Grimes, Chuck Capan, and Bill Bloom. Staff members present were Executive Director John Afoun, Operations Manager/Controller Doug Schott, and Recording Secretary Maria Nino. Board Counsel, John Callas, and Mike Halpin were in attendance.

1. **Call to Order:** Vice-Chairperson Kathy York called the meeting to order at 5:30 p.m.
2. **Special Meeting for the Housing Authority to Discuss the Working Arrangements with the Not-For-Profit Organization:** Mr. John Afoun referenced his Executive Director's report he had sent to the commissioners. He said that in this report he gave an introduction of what he is seeking to do in this report and background of the MHA's not-for-profit organization. The current not-for-profit has been inactive for the past 10 years. Mr. Afoun also stated that there is no evidence to suggest that it was not set up properly nor has the not-for-profit conducted any business since being formed. Mr. Afoun outlined the background of how and when housing authorities came to have not-for-profits as well as the purpose in having these types of organizations, which is to bring in resources for the housing authority.

Mr. Afoun talked about how there could be affiliates or instrumentalities when it came to not-for-profits. An affiliate is an entity, other than an instrumentality, formed by the PHA under state law in which a PHA has a financial or ownership interest or participates in their governance. Affiliates are therefore treated like an unrelated third party contractor. An instrumentality is an entity related to the PHA whose assets, operations, and management are legally and effectively controlled by the PHA, through which PHA functions or policies are implemented and public housing funds or public housing assets are utilized for the purpose of carrying out public housing development functions of the PHA. An instrumentality must abide by the public housing requirements that would be applicable to the PHA. Mr. Afoun concluded by making his recommendation of dissolving the existing not-for-profit and setting up a new one that is initially an instrumentality and to convert that into an affiliate after a year or two. He feels this is the way forward and has discussed this in detail with Attorney Callas already. Mr. Afoun said that the new not-for-profit would be a mirror board to the housing authority. He said there was another recommendation he wanted to make due to some of our funds potentially being recaptured. He mentioned that we have pre-2002 admin fees from Section 8 and recommends the Board transfer that money to the account that contains our money that had come from a previous management fee we had received. Mr. Afoun said that once that money is transferred then it can be transferred at a later date to the not-for-profit account.

Mr. John Callas talked about the history of the existing not-for-profit including formation and current Board Members. He expressed concern over the failure to have required annual meetings or file tax returns. Mr. Doug Schott interjected that the Board Members are probably not even aware that they are on the Board anymore. He also stated that the only thing that has been done is that he has filed the annual fees each year and there has never been a tax return due to the money that was spent was paid through public housing funds. That money was wrote-off because there was no hope of ever getting paid at that point from the not-for-profit. Mr. Schott said there is no accounting for the not-for-profit because the not-for-profit has had no funds.

Commissioner Chuck Capan asked if they could create a new not-for-profit without dissolving the current one. Mr. Afoun responded that yes, you can have more than one at a time. Commissioner Capan then suggested letting the current not-for-profit dissolve on its own due to not paying the annual fee and creating a new not-for-profit.

Mr. Callas suggested Mr. Afoun explain what a not-for-profit can do and what the value is. Mr. Afoun responded that we will be able to leverage public and private resources, we will be able to provide additional housing, create jobs, enhance the local economy, economic and community development, and latitude from HUD rules and regulations.

Commissioner Capan asked if we would fulfill the housing shortage by doing a high rise and Mr. Afoun responded that he wouldn't want to do a high rise due to problems that can come with that type of building, but would recommend low rises or single family homes instead.

Commissioner Melvin Grimes talked about how he worked with the Rock Island Housing Authority (RIHA) when their not-for-profit was created. He said it has been fantastic because it has allowed the City to deed over land and opens up the door for home ownership. Mr. Afoun suggested contacting Ms. Susan Anderson from the RIHA to show us what she is doing with their not-for-profit so that the new commissioners can see what a not-for-profit can do. Commissioner Bloom interjected that he sees philosophically how it would be good by limiting bureaucracy and have it be a private organization.

Mr. Schott said that the \$80,000 is non-federal funds from an activity we don't do anymore, which was an admin fee and have been determined by auditors and by HUD to be non-federal funds. He said that now they have come out with pre-September 2003 reserves now can be non-federal funds. Mr. Schott suggests moving those funds from Section 8 over to the other account. He said this should be done as soon as possible so that it is not recaptured by HUD. Mr. Callas recommended doing the money transfer during a regular Board Meeting, and not at this meeting since such action might exceed the scope of the special meeting.

Mr. Callas suggested forming the new not-for-profit using the \$80,000 so it doesn't come out of any public housing authority money. Commissioners Capan and Bloom asked what the ballpark figure for the formation should cost. Mr. Halpin said a simple one would be between \$2,500 and \$3,500 range as a good estimate.

Motion was made, and seconded, to authorize the Executive Director to set up a new not-for-profit organization starting out as an instrumentality and eventually going into an affiliate. All voting members present voting "aye", none against, the Chair declared the motion carried unanimously.

3. Adjournment:

There being no further business, a motion was made, and seconded, to adjourn the meeting. All voting members present voting "aye", none against; the Vice-Chairperson declared the meeting adjourned at 6:08 P.M.

Kathy York, Vice-Chairperson