

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

August 24, 2015

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, Chuck Capan, Leslie Stange-Crotty, and David Parker, Jr. Staff members present were Executive Director John Afoun, and Recording Secretary Maria Nino. Board Counsel was in attendance. Also in attendance Were Steve Clark and Helen Crumb from SE Clark.

1. **Call to Order:** Chairperson Melvin Grimes called the meeting to order at 5:30 p.m.
2. **Executive Director's Report:** Verbal report provided by Mr. John Afoun.

Mr. Afoun said today we are meeting to have a presentation by SE Clark. The Board approved the request to partner with the Housing Authority and its non-for-profit organization, the Moline Development Corporation, to develop affordable housing and revitalize the existing public housing subject to contract and requested this meeting. The Board wanted an opportunity to hear from Mr. Clark and ask questions to decide where we go from here. Mr. Afoun then introduced Mr. Steven Clark of SE Clark as the developer that the Board approved, subject to contract.

3. **Presentation by SE Clark:** Verbal report provided by Mr. Steven Clark.

Mr. Clark handed out folders to everyone then thanked them for recognizing his company has been doing this process since 1988. He began by saying we need to know what we are doing and feel good about it and know it will be a success. Their company is a 100% full developer from beginning to end. They do market studies and assist the owner with any neighborhood associations. As a government entity we are responsible to let people know what we are doing. They also work with all other stakeholders such as schools, the City about development, local financing agencies, contractors, consultants, and attorneys. With tax credits the Housing Authority is not the owner. The nonprofit will be the sole member of the entity and the sole owner. It is its own little entity that owns these apartments and that is what it does. Two market studies will need to be done, one for the retail offices and one for the apartments. They will do the vetting of all entities and the Board would approve or not approve the team. They will manage getting permits, getting approvals, etc. This development would not be a HUD development. They will make a request for disposition of the property. They have been very successful in Rock Island and Illinois. We should receive 100% tax abatement on this property. SE Clark will assist owner to obtain and maintain insurance coverages and make best efforts that the development comes in on time and budget. For every dollar of the development that is a depreciable dollar we get a dollar tax credit. These are sold by ownership and they are getting 95 percent of the value currently. The General Partner will own the property after 15 years. People that make a lot of money invest into affordable housing so they can get a tax write off. Commissioner Stange-Crotty wanted to know when we see an announcement about HOME funding is it an important thing and why. Mr. Clark said it is not that important because the HOME program has not been a

big funding source for tax credits. If the real estate market is good, there is a doc fee that then gets disbursed into the fund, which is the big source for tax credit funding.

Commissioner Stange-Crotty asked who takes out the 30% and was told the partnership takes it out. The only recourse would be the property. There are not many failures in the low income tax credit arena. Investors will come in and do annual inspections as they have the most to lose. Things are watched very closely. They work very close with the private investors when we sell the credits. We need to make sure it is a person who are good to work with, because they can make your life miserable. SE Clark will take the project from "A" to "Z". They actually do the lease up as they need to be very aggressive on lease up. Financials, criminal, and home visits are all done for potential lessees. It needs to be 90% occupied for 90 days before they turn it over to the managers. We can either manage it ourselves or manage the managers. Commissioner Stange-Crotty asked Mr. Afoun when he said we the housing authority is it really the nonprofit who will own this? Mr. Clark said the reason we need to set it up this way is we need the real estate tax exemption. The nonprofit is an affiliate of the housing authority. The nonprofit is really the General Partner of the property. If the housing authority is not an instrumentality of the nonprofit it would not have real estate tax exemption if not controlled by the housing authority. They talked about needing to be tough with tenants so they follow the rules. Commissioner Stange-Crotty asked about the income of the development and if it can be used as we wish. Mr. Clark said what they do with the housing authorities is they get 75% for being the developers and give 25% of the fee to the housing authority. Mr. Clark said they put together a down payment fee which is the cost of application. Their fee for application is \$25,000. Monies that are paid in by the housing authority are at the end paid back to the nonprofit, not to the housing authority. Investors like larger developments because they get more impact for their time, but they will look at the smaller ones. Commissioner Parker said he is concerned if we build a really nice development next to the public housing because he doesn't know how that is going to impact the residents of public housing. Mr. Clark said they did the redevelopment of St. Louis and took areas where the public housing was and some changes occurred. He said our public housing looks nice. Mr. Afoun said there are new structures and businesses involved with public housing. Mr. Clark talked about HUD in general and how there was a reduction of 8.3% in the public housing budget in 2016. What HUD is saying under the RAD program is they will take what they are currently giving you for operating and capital fund and give it to you and they will give you guaranteed rents for the next 20 years plus a mandatory renew by HUD, which stops the bleeding for HUD. There are a lot of housing authorities converting to this. They are on a path to replace public housing to private housing. Vice-Chairperson York said that the Chairman couldn't be here but he forwarded some questions. Are the fees competitive? Mr. Clark said yes. What is going rate for application? Mr. Clark said fee is \$25,000 to SE Clark then up to \$70,000. Commissioner Capan asked do you ever see the nonprofit being in Section 8 program and Mr. Clark responded yes.

Mr. Afoun said we are seeking to engage SE Clark to be our master developer to help us begin our first development project. We would like to build office buildings and apartments on the corner lot and use the dentist building also. Commissioner Capan wanted to know what we can do with the Spring Brook Administration building. He asked if it is feasible or is there a demand for daycare on site? There was then discussion about project now and Mr. Clark's recommendation to not make the housing authority self-contained, but to let the residents be more integrated into the community.

Mr. Afoun asked the Board if they are in favor of us proceeding with SE Clark. Commissioner Capan said since it is not on the agenda we cannot make a motion. Legal counsel stated most of the changes being proposed are stylistic as well as proposing the venue be Rock Island courts. Mr. Afoun stated he would get the corrected version from the lawyers and will include in the next Board packet for approval. Commissioner Capan said if they can get the correct contract much in advance to the board packet they could read through it and if they had any feedback they could still have time to have input, etc. Legal counsel would like contract electronically, she will e-mail Mr. Clark to try to get it electronically from him directly.

5. Any other business that may come before the Board:

No other business to come before the Board.

6. 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 Chairperson declared the meeting adjourned at 6:42 P.M.

Melvin Grimes, Chairperson