

BUFFALO FISCAL STABILITY AUTHORITY
Meeting Minutes
September 21, 2016

The following are the minutes from the meeting of the Buffalo Fiscal Stability Authority (the “BFSA” or the “Authority”) held on Wednesday, September 21, 2016 in the first floor conference room of the Buffalo Market Arcade Complex. The meeting was called to order at 1:00 PM.

Board Members Present

Interim Vice-Chair Richard T. Jurasek
Secretary George K. Arthur
Director Frederick Floss
Director Dottie Gallagher-Cohen
Director Frank Mesiah
Mayor Byron W. Brown (proxy Estrich)
County Executive Mark C. Poloncarz (proxy Federick)

Board Member(s) Excused

Chair R. Nils Olsen, Jr.

Staff Present

Executive Director Jeanette M. Robe
Comptroller Robert L. Miller
Principal Analyst/Media Liaison Bryce E. Link
Senior Analyst/Manager of Technology Nathan D. Miller
Administrative Assistant Nikita M. Fortune

Additionally, Present

Mr. James L. Magavern, Esq., Magavern Magavern & Grimm LLP
Ms. Sara Dayton, Audit Partner, Lumsden & McCormick, LLP
Mr. Modesto Candelario, Deputy Executive Director, Buffalo Municipal Housing Authority
Ms. Nona B. Watson, Executive Director, Buffalo Urban Renewal Agency

Opening Remarks

Interim Vice-Chair Jurasek welcomed all attendees to the meeting and stated that gave an overview of the logistics as well as the agenda. Officials from BURA and BMHA were welcomed to continue the discussion on low-income housing issues within the City.

Interim Vice-Chair Jurasek also stated the Governance Committee met earlier and compiled the Board’s annual self-evaluation and approved its submission to the New York State Authorities Budget Office; no board action was taken as this is an informational item.

The Audit Finance and Budget Committee also met earlier and recommended full Board approval of two reports, the first being the annual audit and the second item the BFSA’s Annual Report.

There is an additional BFSA item that will be addressed in Executive Session to receive advice of Counsel.

The draft BFSFA 2017 Calendar has been provided, please inform Ms. Robe of any conflicts. The final 2017 schedule will be brought to the full Board for approval in the upcoming December meeting.

Roll Call of the Directors

Secretary Arthur called the roll noting that Chair Olsen was excused. A quorum being present, the meeting commenced.

Erie County Constituent Services Assistant, Mr. Andrew Federick, represented County Executive Mark C. Poloncarz while City of Buffalo Commissioner of Finance, Administration, Policy, and Urban Affairs, Ms. Donna Estrich, represented Mayor Byron W. Brown, in accordance with Subdivision 1 of §3853 of the BFSFA Act.

Subdivision 1 of §3853 of the BFSFA Act reads: "...The Mayor and the County Executive shall serve as ex officio members. Every director, who is otherwise an elected official of the City or County, shall be entitled to designate a single representative to attend, in his or her place, meetings of the Authority and to vote or otherwise act in his or her behalf. Such designees shall be residents of the City of Buffalo. Written notice of such designation shall be furnished prior to any participation by the signal designee...."

Interim Vice-Chair Jurasek introduced Resolution No. 16-22, "Approving Minutes and Resolutions from July 25, 2016."

Director Gallagher-Cohen made a motion to approve.

Director Mesiah seconded the motion.

The Board voted 6-0 to approve Resolution No. 16-22.

BFSFA Business

BFSFA Fiscal Year ("FY") 2016 Independent Audit & Annual Report

Interim Vice-Chair Jurasek advanced the agenda and stated the Audit, Finance and Budget Committee recommended approval of the fiscal year 2015-16 Independent Auditors' Report by Lumsden & McCormick, LLP, earlier in the day, based on written material and an oral presentation. He introduced Resolution No. 16-24, "Approve Independent Audit Report & Annual Report for Fiscal Year 2015-16."

Mr. Andrew Federick arrived at the meeting as the representative for County Executive Poloncarz at 1:02 PM.

Interim Vice-Chair Jurasek also stated the 2016 BFSFA Annual Report was reviewed during the Audit, Finance and Budget Committee and the Committee recommended the full Board approval of the item and delegated the Chair, Interim Vice-Chair, Executive Director, and Comptroller to make any necessary changes for accurate and completion.

The aforementioned documents will be filed with various New York State officials as required by statute and made available on the BFSFA website.

Interim Vice-Chair Jurasek asked for a motion to accept and approve the BFSA FY 2016 Independent Audit and the Annual Report as recommended by the Audit, Finance and Budget Committee with any necessary changes for filing to be made by the Chair, Executive Director and/or Comptroller.

Director Floss made a motion to accept the recommendations of the Audit, Finance and Budget Committee.

Director Mesiah seconded the motion.

Interim Vice-Chair emphasized the BFSA received a clean management letter and no material weakness were identified.

The Board voted 7-0 to accept the recommendations from the Audit, Finance and Budget Committee and approve the Independent Audit and the Annual Report.

Director Floss noted that Board members attended the Committee meeting as well and stated that any questions or concerns were addressed at that time.

Buffalo Municipal Housing Authority

Discussion with BMHA Leadership

Interim Vice-Chair Jurasek advanced the agenda to the next item for consideration: a discussion with Mr. Modesto Candelario, BMHA Deputy Executive Director, as requested by the BFSA Board of Directors, in order to provide information related to BMHA's strategic plan and to address any other questions the BFSA Directors may have.

Mr. Modesto Candelario gave a presentation on BMHA's occupancy process and analysis, the Public Housing Assessment System ("PHAS") and the rental assistance demonstration program ("RAD").

Occupancy

The BMHA central intake office is located at 245 Elmwood Avenue, however, Marine Drive and Frederick Douglass Associates both accept applications on-site at their respective management offices as they are state properties and are not a part of the federal public housing portfolio.

There are currently approximately 2700 applicants on the housing waitlist and therefore it takes approximately 12 to 24 months before an applicant is contacted and the verification process begins. BMHA is attempting to streamline the process by forwarding completed applications to site management offices to allow the property managers to complete the leasing process. Due to the length of the waitlist the information of applicants may be out of date and therefore several families must be contacted in order to secure a lease for 1 unit.

Director Floss questioned the inaccuracy and inefficiency of BMHA having a waitlist that is 12-36 months old and whether there is a way to automate the list. It is not acceptable for there to be 2,000 plus families at any given time waiting to receive housing assistance.

Mr. Candelario stated the waitlist is periodically purged by mail because reasonable efforts must be made to contact families for available housing to comply with federal regulations. Director Gallagher-Cohen asked if there is a technology solution, especially with the increased use of cell phones, which could be used to expedite the process. Mr. Candelario stated attempts to automate processes are met with the challenge that not everyone has access to technology and therefore mail is the best way to ensure a reasonable attempt has been made to contact an applicant.

Secretary Arthur asked if applicants select their desired development when they submit their application. Secretary Arthur asked if the selection process had changed with respect to applicants taking whatever unit was available regardless of which development it was in. Mr. Candelario stated the bedroom composition need drives the general waitlist and applicants are given a list of developments to choose from that meets their needs and they are given the approximate wait time for each development.

Secretary Arthur asked what caused the change because the prior system also helped to integrate the developments. Mr. Candelario was unsure as to why the change occurred.

Director Mesiah asked how often the bedroom composition needs change between the time of application and the time of availability and what the process is when that occurs. Mr. Candelario advised that doesn't happen often, however, applicants are advised to keep BHMA updated if their needs and contact information changes.

Director Gallagher-Cohen asked what percentage of people on the waitlist do not meet the criteria threshold. Mr. Candelario said approximately less than 5% are not eligible. The income eligibility for public housing is 80% of the area median income which is fairly high for the City of Buffalo.

Mr. Candelario stressed that all of the applicants are not homeless when they apply for public housing; too much of their income is being used to pay rent and the number of people on the waitlist has consistently been at least 2,000 applicants over the past five to six years. There has been a decrease in the request for senior housing because many of the affordable housing units that have been built in recent years has been for seniors. However, problems arise because the newer senior properties are not subsidized and therefore tenants need to have a higher income. Seniors then apply to BMHA for subsidized housing at 30% of their income.

Unit preparation is handled by the BMHA maintenance crew which completes an inspection of the vacated unit. Once the unit is repaired the managers are notified of unit availability by an electronic system; a combination of outside contractors and BMHA staff work on the remediation to turn the apartment around. The turn-a-round time for a unit is approximately 40-45 days.

Director Floss questioned the lengthy turn-a-round time necessary for vacant apartments as well as how many units are made ready for rental per month. He sought an explanation for the 45 days, it is not as if every apartment will need extensive work, some may need to just be painted.

Mr. Candelario stated BMHA manpower is an issue to perform inspections and secure the services of contractors and approximately 50 units are prepped for rental every month. Some developments have more turnover than others. Director Gallagher-Cohen expressed her concern about the length of time it takes for BMHA to turn-a-round a unit for rental as compared to market rate units. She then suggested BMHA contact PUSH Buffalo as that agency has had recent success with housing and may be able to be a contract supplier. Mr. Candelario stated BMHA is looking at a variety of options and they are constantly evaluating costs.

Director Floss stated the revenue is desperately needed from rented units which aren't able to be rented in a timely manner.

Mr. Candelario stated that the 95% occupancy threshold that HUD stresses public housing authorities to reach is hindered by two developments, AD Price Courts and Perry Homes. The two developments have over 500 uninhabitable units combined, which equates to 10% of the BMHA federal housing portfolio. The developments have major structural issues and administration is continually trying to identify resources for both developments.

Secretary Arthur stated the Common Council requested a study on AD Price Courts several years ago, and found that the development was in a state to be rehabbed at that time. There seems to be intentional neglect with respect to the AD Price development.

Mr. Candelario stated the lack of resources continues to hinder progress as BMHA once received \$12.0M in capital funds and now receives \$7.8M capital funds to handle all 3,000 units. BMHA is committed to replacing the units.

Director Floss suggested not to focus so heavily on the 95% occupancy rate but to instead focus on meeting the needs of the public by providing housing and addressing the waitlist. Our focus should be providing housing to the families that need it, not to focus on the percentage goal, because by eliminating some of the non-salvageable units we would be able to hit the 95% target, by eliminating units.

Mr. Candelario stated the benefit of attaining the 95% standard status occupancy rate would provide BMHA with high performing status and in turn would open doors for other resources. The most recent phase of family units at AD Price has been well received and helps to address neighborhood revitalization.

Interim Vice-Chair Jurasek questioned what is the threshold or who decides when units at Perry and AD Price may need to be demolished.

Mr. Candelario stated federal guidelines state if rehab costs more than 58% of the total developments costs, units can then be demolished. BMHA would then need to submit a request to HUD to remove units from the BMHA portfolio. Instead, BMHA has recently asked that AD Price Courts be moved to the BMHA non-for-profit entity, Bridges Development, Inc., ("Bridges") which would take the units off of the BMHA rolls while BMHA continues to develop a rehabilitation plan for the property. The plan has not been accepted by HUD because BMHA still has to provide a financial plan for the rehab.

When Mr. Candelario stated the members of the board for Bridges are ex-officio BMHA members Secretary Arthur said that may be part of the problem with establishing traction on the AD Price project specifically. Secretary Arthur suggested there should be an independent party involved to submit a proposal. Mr. Candelario stated the plan will be resubmitted to HUD in the near future.

Some of the measures taken to address occupancy issues are:

- Re-organized occupancy division
- Pilot program at Kenfield/Langfield development for the entire application process to be handled at the management office
- Applied for RAD conversion at Perry Homes
- Submitted disposition application for AD Price
- Sought state funding for demolition of uninhabitable units
- Hiring an Assistant Executive Director for Operations
- Preparing revitalization plan for AD Price
- Preparing RAD applications for Shaffer and the remainder of Perry Homes

Mr. Candelario then stressed the four key indicators of the Public Housing Assessment System, (the “PHAS”) which are:

- Physical (40 points)
- Financial (25 points: month expendable net asset ratio (the “MENAR”) 11 points, QR 12 points, DSCR 2 points)
- Management (25 points: occupancy rate 16 points, tenant accounts receivable 5 points and accounts payable 4 points)
- Capital Fund (10 points)

The Capital Fund and Physical inspection inventory are dictated by the condition of the units and BMHA does fairly well with these indicators. BMHA struggles with the Management indicator which is based primarily on achieving 95% occupancy and accounts for 16 of the 25 points for this indicator. Without a 95% occupancy rate BMHA will never obtain the 16 points and will always score less than 15 points which is considered substandard.

There are also concerns with the Financial indicator score. The MENAR refers to the reserve level as compared to the operating expenses of the authority. More than one month of reserves equates to a higher score. BMHA did improve its Financial indicator several points from 2014 (10 points) and 2015 (15 points) and is on track to improve again this year. The improvement of the finances has come at the expense of occupancy because some of the expense reductions, like staff, have a direct effect on occupancy. The improvement in the finances decreases the likelihood that HUD will seek to take control of the authority.

Director Floss stated the BMHA is currently at 68% occupancy and questioned what is really needed to reach the goal of 95% occupancy which has been utterly unobtainable for years.

Mr. Candelario replied BMHA is focusing mainly on the uninhabitable units at AD Price Courts and Perry in an effort to address the occupancy rate.

Director Mesiah questioned how BMHA compares to other public authorities around the country and questioned if other authorities are having similar problems and what are the differences for those that are functioning well. Why is it that one community can get the resources it needs, but another community cannot, yet both are under the same HUD umbrella? Is it political?

Mr. Andrew Federick exited the meeting at 1:36 PM.

Mr. Candelario stated other public housing authorities have been able to secure additional resources in their state because their state and city administrations work closely together to identify and prioritize work for public housing. More than 60% of BMHA housing stock is forty years old. Public housing authorities across New York state have collectively been applying pressure to the State for additional funding for their federal housing portfolios.

Mr. Candelario explained the Rental Assistance Demonstration ("RAD") program was created to give public housing authorities a way to convert from the public housing program to the project based Section 8 program. The program allows housing authorities to create public/private partnerships with low-income housing tax credit investors and have the ability to pay private debt and raise enough capital to renovate the units and/or provide new construction. This transaction will be controlled by the housing authority.

Director Floss questioned the financial plan to keep units on line in the future as well as the dependency on the buy-in because of tax credits.

Mr. Candelario stated the RAD program requires a financial plan for BMHA to forecast the cost to keep the units maintained, which allows the authority to establish replacement reserves. Interim Jurasek asked how much money would be available for BMHA if they are allowed to participate in the RAD program.

Mr. Candelario clarified that no additional monies would be dispersed to BMHA. Instead, the program would allow BMHA to opportunity to leverage tax credit equity of 30% to 45% of the unit construction costs, which is a viable option to address the physical needs of the authority.

Interim Vice Chair Jurasek inquired if the funds raised through the tax credits could only be used for new construction, or if it could be used for maintenance/upgrades as well. The RAD program is central and essential for BMHA to move forward in addressing maintenance and construction needs.

Mr. Candelario responded that the funds raised could be used for either maintenance or new construction.

Interim Vice-Chair Jurasek thanked Mr. Candelario for his presentation and then requested a motion to enter into executive session.

Executive Session

Secretary Arthur made the motion to enter into executive session for the board to receive advice from counsel.

Director Floss seconded the motion.

At 2:20 PM executive session ended and the public was allowed to return and Interim Vice Chair Jurasek advanced the agenda to the Buffalo Urban Renewal Agency ("BURA") presentation by Nona Watson, Executive Director, BURA.

BURA Presentation

Nona Watson thanked the Board for the invitation to present. Ms. Watson stated she has been with BURA since 2015 gave a brief overview of her credentials. Ms. Watson reviewed a power point presentation which provided the history of BURA in addition to their current projects and future plans, including detailed overview of the various programs available to City residents.

Director Gallagher-Cohen exited the meeting at 2:38PM.

Secretary Arthur questioned the amount of money allocated for the elderly emergency programs and how many people are able to be assisted. Ms. Watson state there is approximately \$600,000 available for the elderly program and the monies are administered by the seven neighborhood housing services throughout the City and there is no waiting list.

Director Mesiah asked if the demolition funds allocated within the BURA budget can be used to assist BMHA with their demolition projects. Ms. Watson suggested that BURA and BMHA discuss how they can partner together.

Secretary Arthur requested to see the financial breakdown of the \$68.0M projects that BURA has completed and the \$56.0M leveraged against for FY 2015-2016. Ms. Watson stated that the detailed information requested will be provided.

Ms. Watson reviewed a map showing where the current projects were across the City as well as provided a list of agencies that are partnering with BURA to deliver services.

Ms. Watson stated the homes that BURA rehabilitates are sold to low-income individuals through a partnership with Belmont Housing Resources.

Director Mesiah asked if any penalties are imposed for a developer that receives money from BURA and fails to complete the services they were assigned to perform.

Ms. Watson stated that responsibility would be on the City for any failed projects.

Commissioner Estrich stated developers do not receive payment until a project has been completed and inspected.

Interim Vice-Chair Jurasek asked if BURA demolition dollars are reflected in the City's Capital Budget. Commissioner Estrich explained that the BURA demolition dollars are designated for low to moderate income areas and the demolition dollars reflected in the Capital Budget are used mainly for emergency fire demolitions. The Commissioner also stated the City and BURA work closely together to identify HUD eligible projects to be covered by BURA and the remainder to be covered by the City.

Ms. Watson stated BURA makes recommendations to the Department of Public Works in regards to streets, sidewalks as well as housing projects that would meet HUD eligibility requirements.

Director Floss questioned how closely NFTA/public transportation works with BURA and City planning when considering low-moderate income housing rehabilitation areas. Ms. Watson stated it is critical for all stakeholders to be at the table for planning.

Director Mesiah emphasized the importance of transportation to meet the needs of businesses of out-lying areas with respect to employment. Stressing the importance of bringing in all the stakeholders and providing transportation and access for those in Buffalo to reach those businesses that are hiring.

Ms. Watson was thanked for her presentation.

BFSA Business

Interim Vice-Chair Jurasek advanced the agenda to BFSA business to recognize the impending retirement of BFSA Comptroller Robert L. Miller, CPA.

Secretary Arthur made a motion to recognize Mr. Miller's time and exemplary work with the BFSA.

Director Floss seconded the motion.

The Board voted 5 to 0 to approve.

Mr. Miller stated he has enjoyed his five years at the BFSA and thanked the Board for the opportunity to serve at the Authority.

Public Comment

Interim Vice-Chair Jurasek advanced the agenda to the public comment portion of the meeting.

Mr. Joseph Mascia, former BMHA Housing Commissioner expressed his concerns with BMHA and their financial management.

Ms. Marilyn Gallivan then expressed her thanks to Mr. Miller for his tenure with the BFSA and specifically for his work with BMHA.

Secretary Arthur made a motion to adjourn the meeting.

Director Floss seconded the motion.

The Board voted 5 to 0 to approve.

The meeting ended at 3:24PM.