

Agenda
Rural Housing Services, Inc.
Meeting of the Board of Directors

Housing Assistance Council
Conference Room
Washington, DC

March 8, 2019

CALL TO ORDER

APPROVAL OF THE AGENDA

APPROVAL OF MINUTES OF Nov 8, 2018

FINANCIAL REPORT

UPDATES

- Portfolio Report, list of projects and units occupied
- Update on HAC Loans to RHS
- Update on Withdraw RHS from Partnerships

ADJOURN

Minutes
Rural Housing Services, Inc.
Board of Directors Meeting

November 8, 2018
Washington, DC

Members

Present: D. Lipsetz, L. Buxbaum, A. Bias, P. Carey, L. West-Hoff, N. Gutierrez.

Member

Absent: T. Manning-Beavin

Staff

Present: L. Sutton, K. Klusmann, Jorge Diaz, S. Charleston

Call to Order: The meeting of Rural Housing Services, Inc. (RHSI), Board of Directors was called to order at 1:20 P.M., Friday, November 8, 2018, by its president, D. Lipsetz.

Approval of Agenda: A. Bias moved, and L. Buxbaum seconded approval of the agenda as presented. The motion earned unanimously.

Adoption of Minutes: L. Buxbaum moved, and N. Gutierrez seconded the approval of the May 18, 2018, meeting minutes. The motion carried unanimously.

Financial Report: K. Klusmann reported that as of September 30, 2018, RHS Investments, net was \$456,488; investments in limited partnerships, \$864.00; total assets \$457,352. K. Klusmann reported that liabilities were \$270; total stockholders' equity, \$456,082 making total liabilities and equity of \$457,352.

L. West-Hoff moved, and, L. Buxbaum seconded to accept the financial report as presented. The motion passed unanimously.

Update of RHSI Portfolio: J. Diaz reported that three remaining projects are in good condition and the management companies are dedicated to keeping the project in good shape and within budgets. The percentage of occupied units in the portfolio is 97%. None of the three projects suffered damage from the severe weather events of 2018. The budget for FY 2019 was sent before the end of October to Rural Development for approval. RHSI remains interested in exiting all three property partnerships.

Griffin Mandela: The project is reporting 97% occupancy and is current with payment on its HAC loan. RHS expected to transfer ownership of this 30-unit rental property in Greensboro, AL during 2019. Transfer documents were sent to the local partner for signature, but there has

been no response. After two years of back-and-forth, the staff has concluded that the local partner (Panola Land Buyers Association) is unwilling or unable to take responsibility for the project. Panola's parent company (Federation of Southern Cooperatives) is also unwilling or unable to take responsibility. RHS will seek a new party to replace itself in the partnership.

North Clinton Manor: The project is reporting 100% occupancy. DTH Management continues to do a good job managing this 40-unit elderly property in Clinton, NC. Following the death of the local partner and several lawsuits between family members over the state, it has been unclear who has the authority to act as the local partner. In March 2018, RHS met with lawyers from USDA-RD and Fannie Mae to determine whom we should treat as the representative of the local partner. Once that determination is authenticated to the satisfaction of Fannie Mae, RHS, and North Clinton Manor Affiliates, Inc., RHS will move to withdraw from the partnership. RD is expected to object unless a new local partner or an additional party is found.

Lee House: The project is reporting 95% occupancy and is in excellent physical shape. RHS send Transferal of Ownership documents for this 25-unit elderly property in Port Henry, NY to its local partner. Lee House Development Corporation (LHDC). LHDC has been non-responsive, and Staff does not anticipate LHDC being willing or able to accept ownership. RHS will seek a new party to replace itself in the partnership.

Update on HAC Loans to RHS: K. Klusmann stated that the Griffin-Mandela project is current with the monthly payments and quarterly reporting. At September 30, the occupancy rate was 97%, and one unit was vacant. Net income from operations, before other cash expenses was \$30,222. Net income was \$1,422.

With no further business, the meeting of the Rural Housing Services, Inc. Board of Directors adjourned at 1:50 PM, Friday, November 8, 2018.

Respectfully Reviewed by:



Andy Bias, Secretary/ Treasurer
RHS Board of Directors

RURAL HOUSING SERVICES, INC.
FINANCIAL STATEMENTS
12/31/2018

	<u>12/31/2018</u>	<u>Draft Audit 09/30/2018</u>	<u>% Change</u>
<u>BALANCE SHEET</u>			
ASSETS			
Investments	\$458,474	\$456,488	0.4%
Investments in limited partnerships	<u>864</u>	<u>864</u>	<u>0.0%</u>
TOTAL ASSETS	<u>\$459,338</u>	<u>\$457,352</u>	<u>0.4%</u>
LIABILITIES AND STOCKHOLDERS EQUITY			
Liabilities		<u>270</u>	<u>100.0%</u>
TOTAL LIABILITIES		<u>270</u>	<u>100.0%</u>
Stockholders Equity			
Capital stock - common	1,096,719	1,096,719	0.0%
Capital stock - preferred	320,128	320,128	0.0%
Retained earnings	<u>(957,509)</u>	<u>(959,765)</u>	<u>-0.2%</u>
TOTAL STOCKHOLDERS EQUITY	<u>459,338</u>	<u>457,082</u>	<u>0.5%</u>
TOTAL LIABILITIES AND EQUITY	<u>\$459,338</u>	<u>\$457,352</u>	<u>0.4%</u>

PROFIT AND LOSS

REVENUE

Investment income	<u>\$2,615</u>
Total Revenue	<u>2,615</u>

EXPENSES

Professional fees	
Unreimbursed project expenses	
Miscellaneous	<u>668</u>
Total Expenses	<u>668</u>
Net Profit (Loss) before Unrealized Gains/(Losses) on Investments	1,947
Unrealized Gains/(Losses) on Investments	<u>309</u>
Net Profit (Loss)	<u>\$2,256</u>

Rural Housing Service, Inc

2nd Quarter Report, 2019



Report to the Housing Assistance Council Board of Directors

by Jorge Diaz, Portfolio Manager

March 8, 2019

Update on the RHSI Portfolio

SUMMARY	The RHSI staff has allocated time to collecting information for the presentation of annual financial statements and the filing of the project taxes. The three remaining projects in the RHSI portfolio have a 93% occupancy rate and the projects physical appearances are in good shape. RHSI continues to communicate with local partners to accelerate the exit of RHSI from the partnerships.
Griffin Mandela	Griffin Mandela occupancy rate is 90% and is current with payments on its HAC loan. The three unoccupied units are expected to be leased in March 2019. Transfer documents were sent to the local partner for signature, but there has been no response. RHSI continue seeking for a new party to replace itself in the partnership.
North Clinton Manor	North Clinton Manor is 97% occupied, and DTH Management continues to do a good job managing this 40-unit elderly property in Clinton, NC. Counsel for both Fannie Mae and RHSI agree that Rachel Williams is the legal representative of North Clinton Manor Affiliated, the local general partner in the partnership. Following this determination, RHS will release to the local partner the Return to the Owner that is being held in an escrow account. RHS received a copy of an email stated that Fannie Mae in conversation with Mrs. Williams clarified that North Clinton Manor Affiliated could afford to purchase the project for the price as implied in the partnership agreement of \$1.00. As part of Fannie Mae's receivership compliance, it can no longer honor that deal. It must adhere to the tenants of its release, which means that the property would be sold at the fair market value net of debt. In the same email, the local partner expresses its disagreement with the Return to the Owner from the project. RHS staff will schedule a meeting with Fannie regarding Rachel Williams to determined a share.

Lee House

Lee House has a 92% occupancy rate. RHS sent Transferal of Ownership documents for this 25-unit elderly property in Port Henry, NY to its local partner, Lee House Development Corporation (LHDC). RHS Staff contacted Bruce Misarski, the new Executive Director for Housing Assistance Program of Essex County, Inc., the mother organization of Lee House Development Corporation, our local partner in the Lee House Limited Partnership.

Bruce was unaware of RHSI is plight to withdraw from the partnership. He asked that we resend the paperwork. He also mentioned that he was trying to get a grant from the state to rehab Lee House Elderly Apartments. He will have to overcome an issue with the Historic windows before applying for the grant. According to December 2018, financial statements for Lee House, it's indebtedness to RHSI is \$ 5,238 of the \$10,313.00 acquired from advances to the project from the '90s.

RHS Projects
As 01.31.2019

Project Name	Location	Total # of Units	E (elderly)	F (family)	Units occupied at this report	Reserve Account Funded
Griffin Mandela	Greensboro, AL	30	F		27	yes
Lee House	Port Henry, NY	25	E		23	yes
North Clinton	Clinton, NC	40	E		39	yes
Total:		95			89	

MEMORANDUM

TO: RHS Board of Directors
FROM: Loan Fund Division
SUBJECT: Greensboro Limited Partnership ~ Griffin Mandela Apartments

SUMMARY OF LOAN(S) AS OF February 25, 2019

Loan Fund	Loan No	Approved Commitment	Principal Balance	Maturity Date	Units
RHLF	0-011-1009	\$65,327	\$37,127	09/01/2025	12

BACKGROUND

- 09/2010 - Loan Committee approved an RHLF loan of \$65,327 to support the renovation and roof repair of 12 of the 30-unit multifamily project known as Griffin-Mandela Apartments located in Greensboro, Hale County, Alabama. (Term is a 10-year amortized loan at 2% interest rate with monthly debt service payments of \$505.36.)
- 09/2012 - RHSI guaranteed the loan to protect HAC's exposure and avoid further delays in the release of loan proceeds. Between September and November 2012, RHSI advanced the project a total of \$27,575 that was later reimbursed by HAC when the loan closed in May 2013.
- 04/2014 - Moises Loza, HAC's Executive Director, deferred the monthly debt service payment to assist in remedying the underfunded replacement reserves and allow USDA RD time to act. The Loan Committee ratified the Executive Directors' action on 08/08/2014.
- 09/2016
 - USDA RD approved the calendar year 2016 project budget that included HAC debt service payments totaling \$6,064 or \$505.36 per month; however, delinquent payments totaling \$14,150 (\$505.36 x 28 monthly payments) prior to 2016 were not included in the approved budget.
 - RHSI Board of Directors approved payment of the delinquent accrued interest on the HAC loan. RHSI made the payment of \$2,596 on 09/30/2016 for accrued and unpaid interest through 12/31/2015.
 - HAC received payment from Griffin Mandela Apartments in the amount of \$6,064 for full debt service for calendar year 2016. The principal balance is reduced from \$53,679 to \$48,402 (includes \$11,911 in delinquent principal). Loan maturity date was extended from 05/01/2013 to 09/01/2025 to fully satisfy the debt.
- 10/2018
 - Borrower set up HAC repayment by ACH.

UPDATES

- USDA RD approved the 2019 project budget which reflects \$6,064 (\$505 per month), the authorized debt service for the HAC loan. The budget included a \$20 increase in rent and a decrease in the utility allowance. The budget reflects an expected deterioration in both the project's cash on hand and replacement reserves.
- Project is current with the monthly payments and quarterly reporting.

Project Update ~ Griffin Mandela Apartments

Page | 2

- At December 31, 2018, the occupancy rate was 90% and three units were vacant.
- Net income from operations before other cash expenses (debt service, capital expenditures, and replacement reserves) was \$36,732. Debt services coverage was 1.25. Because the project had lower-than expected replacement reserve usage and higher-than-expected capital items paid for by operating funds, the net income for the year was \$7,990.