RIPPOWAM CORPORATION
BOARD MEETING

June 22, 2021
5:00 PM
Agenda

TO: Richard Ostuw
Adriana Ospina
Ronice Latta

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a. Call to Order

b. Approval of Minutes for May 25, 2021

c. Resolution:

21-02 Approval of FY 2022 Operating Budget for Rippowam Corporation

d. Development Update

e. Other Business

f. Adjourn

RIPPOWAM CORPORATION
40 Clinton Avenue, Suite 101
Stamford, CT 06901

Board Meeting Date: **June 22, 2021**

Resolution Number: **21 - 02**

<u>RESOLUTION</u>

Subject: **Approval of FY 2022 Operating Budget for Rippowam Corporation**

Background: This resolution will authorize the proposed Budget for the Fiscal Year End beginning July 1, 2021 – June 30, 2022.

Resolution: **Be it resolved by the Board of Directors of Rippowam Corporation that the 2022 Fiscal Year End Operating Budget for Rippowam Corporation is approved and that the officers of Rippowam Corporation are hereby authorized to implement said budget on behalf of the Board.**

<u>Jonathan Gottlieb</u>
Staff Member Submitting Report

Rippowam Corporation

Operating Budget

For Period Ending June 30, 2022

2021										
		Variance					Variance			
Budget	Actual	$	%		*Notes*	2022 Budget	Against 21' Actual	Against 21' Budget	%
				Revenue					
1,584,026	608,024	(976,002)	-62%	Development Fees	*1*	976,002	367,978	(608,024)	-38%
24,000	24,000	-	0%	Asset Management Fees		24,000	-	-	0%
90,582	87,314	(3,268)	-4%	Distribution from Tax Credits Properties	*2*	72,759	(14,555)	(17,823)	-20%
-	1,207	1,207	0%	Other Revenue		-	(1,207)	-	-100%
440,621	201,000	(239,621)	-54%	Park 215 - Commercial Space		216,000	15,000	(224,621)	0%
31,171	3,293	(27,879)	-89%	Investment Revenue	*3*	4,500	1,207	(26,671)	-86%
2,170,400	**924,838**	**(1,245,563)**	**-57%**	**Total Revenue**		**1,293,261**	**368,423**	**(877,140)**	**-40%**
				Operating Expenses					
767,674	767,674	-	0%	Office Salaries		781,896	14,221	14,221	2%
238,520	251,741	13,222	6%	Employee benefits		240,871	(10,870)	2,351	1%
54,573	49,293	(5,280)	-10%	Payroll Tax		54,980	5,687	407	1%
1,060,767	**1,068,708**	**7,941**	**1%**	**Total Wages & Benefits**		**1,077,746**	**9,038**	**16,979**	**2%**
10,300	6,947	(3,353)	-33%	Legal Expense		10,500	3,553	200	2%
65,606	46,900	(18,706)	-29%	Office & Administrative		66,159	19,259	553	1%
8,517	11,930	3,413	40%	Maintenance Contracts & Services		12,043	113	3,525	41%
62,603	61,923	(680)	-1%	Office Rent		63,609	1,686	1,006	2%
17,208	23,566	6,358	37%	Insurance		24,604	1,038	7,396	43%
257,628	271,853	14,225	6%	COC Fee and Share Services	*4*	279,994	8,140	22,365	9%
22,042	24,031	1,989	9%	Distribution Income Tax & Filings		22,042	(1,989)	-	0%
443,905	**447,151**	**3,245**	**1%**	**Total Administrative**		**478,951**	**31,800**	**35,046**	**8%**
-	**-**	**-**	**0%**	**Operating Contingency**		**-**	**-**	**-**	**0%**
1,504,672	**1,515,859**	**11,187**	**1%**	**Total Operating Expenses**		**1,556,697**	**40,838**	**52,025**	**3%**
665,728	**(591,022)**	**(1,256,750)**	**-189%**	**Net Operating Gain/(Loss)**		**(263,437)**	**327,585**	**(929,165)**	**-140%**

Budget Summary & Projections

For Years Ending June 30, 2021 - 2022

Rippowam Corporation			
Fiscal Year 2021	NOI = -**$591K**	Ending Reserve = n/a	Budget Variance = -$1MK
Fiscal Year 2022	Budget NOI = **$-263K**	Ending Reserve = n/a	B to A Variance = $310K

Overview:

Rippowam Corporation closed on the mortgages for Glenbrook Manor (GM) and commenced construction in FY 2021. However, pandemic-related construction delays impacting Lawnhill Terrace 3 and Glenbrook Manor have pushed the timing of developer fees earned into the next budget year. Cash flow is projected to decrease in FY 2022. However, there are several development and rehabilitation projects planned during the next few years.

Explanatory Notes & Narrative:

1.	Development Fees	FY 2021 – FY 2022: Rehabilitation of Glenbrook Manor commenced in FY 2021 and is projected to end in FY 2022. Rippowam Corporation earned $308K in developer fee from Rippowam manor and $300K from Glenbrook Manor in the current fiscal year. The projected remaining fee for Lawnhill Terrace 3 of $826K is moved to FY 2022 when the renovated units will be fully placed into service.
2.	Distribution from Tax Credit Properties	The surplus cash flow generated from Post House, Fairgate and Taylor Street make up the $87K of the FY 2021 revenue. Since 2019 and due in part to the pandemic, Greenfield's operating margins have significantly declined such that it is not currently generating surplus cash flow.
3.	Investment Revenue	Rippowam Corporation's investment income is under budget in FY 2021 due to the decreasing interest rates that now hover just over 0.5%. This assumption is budgeted for FY 2021.
4.	COC Fee and Shared Services	The increases in COC Fee and Shared Services are related to the addition of Lawnhill 3 units to the asset management portfolio.

RIPPOWAM CORP. DEVELOPMENT UPDATE
JUNE 2021

Corona Virus Actions: We are coordinating closely with COC and aligning actions taken at the sites managed by Stone Harbour with those policies and practices implemented by COC.

The State prohibition on initiation of evictions for non-payment and all but the most severe lease violations has recently been extended "for the duration of the health emergency", currently projected to be until July 20, although the Governor may end the emergency sooner if conditions warrant. The federal (CDC) eviction moratorium also remains in place, despite a federal court ruling that it is unconstitutional. The CDC allows the initiation of evictions and would be preferable to the State moratorium, but the CDC rules are not in effect as long as the State moratorium exists. We have urged the State to rescind the State moratorium in order to allow the CDC moratorium to become effective or to modify the State moratorium to more closely match the CDC rules.

The State program reopened on March 15, funded at over $200 million. We are working with residents to determine eligibility and assist in the application process. The program will now fund 100% of delinquent rent and up to six months future rent, and other changes have been made to speed processing and payment. We have been working with DOH staff and recently hired consultants to modify some remaining program rules that have caused significant delays in processing, especially the requirement for evidence of ownership that references individual unit addresses in townhouse style developments. We continue to monitor new federal guidance and to urge the State to comply with the intent of the Treasury Dept. guidance and program priorities.

<u>IN CONSTRUCTION</u>
Lawnhill Terrace 3: Work continues at the site with reduced crew size and maintenance of distance between workers, in conformance with the Governor's Executive Order on construction site practices. All 52 residential units have been approved for occupancy, and residents have begun moving into the completed units from the Lawnhill 4 area. The management office/community building is complete and awaiting final City sign-off, which should trigger issuance of a final certificate of occupancy for the entire development. The property management team is actively working through the COC wait list to fill the units not taken by returning residents, and with our private leasing agent, NewBridge Realty, to process applications submitted on behalf of their clients.

Rippowam Manor: Renovation work was halted for an extended period in compliance with State and City guidance regarding construction work in occupied buildings but resumed in August. A nurse is on site to perform temperature checks and medical assessments for all workers and delivery drivers. A separate entrance has been set up for crew members to limit contact with residents. Coordination meetings are being held with the contractor and property managers, and extensive communication with residents is under way. The final units to be renovated are the C line, with completion scheduled by the end of June. The site staff is preparing to move residents back to some C stack units, and to lease the remaining vacancies in the building to applicants on the waiting list. Hallway work is complete and work in the lobby and community room is nearing completion. Exterior refinishing, paving and landscaping continues but should be completed by month end

Glenbrook Manor: The new FHA-insured mortgage loan closed in early September. The project budget has increased by approximately $90,000, due to delays related to Covid-19, the cost of the on-site nurse and other protective measures, and additional requirements by the City. This increase is offset by the increase in the loan amount of over $200,000 from original projections. The first three phases of units have been completed, a total of 17 units, and residents are being moved back into the recently completed third phase. Five phases remain, containing a total of 27 units. The contractor has not yet identified an acceptable roofing sub-contractor to replace the original sub that went out of business, likely delaying roofing work until August or September. We continue to experience delays in the availability of new kitchen appliances. Older appliances scheduled for replacement are being used in the interim. Some exterior and site work has commenced.

Temporary relocation of residents is going well, with a coordinated effort by property managers, resident service coordinators and Rip Corp. staff. All health and safety measures are being observed to minimize resident contact with the construction crew and to clean and sanitize all spaces regularly.

IN PLANNING STAGE

Vidal Court Replacement – Phase V: Under an existing HUD grant, master planning and schematic design for a possible fifth phase of the Vidal Court revitalization on Stillwater Avenue was performed. A preliminary cost estimate for the development has been completed, but further action on this phase is not scheduled for the near term.

Lawnhill Terrace 4: The Zoning Board has awarded an additional $1.3 million in Fee-in-Lieu funds bringing the total allocated to Lawnhill 4 to over $2.1 million. We have received a special allocation of State DOH funds to complete the funding sources and the team is preparing the DOH and tax credit applications and finalizing terms with the lender and investor. Thirteen Project-Based Vouchers will be assigned to Lawnhill 4, which will generate additional revenue and support a larger permanent mortgage. The process of putting together the due diligence items for the consolidated application for tax credits and DOH funding continues. The application for tax credits and DOH funding as been submitted. A financial closing is targeted for fall of this year, depending on the timing of CHFA and DOH review, followed by a construction period of approximately twelve months. Next steps are responding to any questions or comments on the application, and working with the lender and investor or partnership and loan documents.

Oak Park: A comprehensive rehab in three phases, similar to the renovations being performed at Lawnhill Terrace, is planned following the completion of the final Lawnhill Terrace phase. A study of physical conditions has been completed by QAM Architects, identifying a scope of work requiring immediate attention, prior to the start of overall renovations. These items include stabilizing electrical systems, removal of existing unused oil tanks and repairs to the building roofs. We are in the process of estimating the cost of work and identifying funding sources for addressing these most critical issues. The Zoning Board has awarded $3.45 million in Fee-in-Lieu funds toward both interim repairs and the more comprehensive renovation to follow. We continue to seek additional funding. The interim scope of work has an estimated cost of $2 million. We are proposing to use $1.5 million in replacement reserve funds. The design team is completing the plans and specifications and preparing a bid package for the emergency repairs. We hope to issue the contractor solicitation in late June or early July.

Clinton Manor: During a recent high wind event, a portion of the exterior building siding detached and fell to the ground. After examination by an architect, engineer, and siding consultant, it has been determined that the siding on the two sides of the building that was not replaced during major renovations several years ago should now be replaced. The architect and consultants are preparing repair plans and a bid package for the siding replacement. Our current lender, Bankwell, has issued an initial loan commitment term sheet, which has been executed now that the tax credit investor has approved the proposed refinancing. Bankwell will now order an appraisal of the property, and we will complete the refinancing once plans and specifications for the repairs are completed by the design team and approved by the lender.

Stamford Manor: Because of the recurring sizeable operating deficit at Stamford Manor, COC has asked that we investigate possible alternative funding approaches to the conventional low-income public housing program under which Stamford Manor has always operated. The deficit is primarily attributable to very large security expenditures and to the resident services provided through Family Centers. The amount of HUD operating subsidy is based on an internal calculation performed by HUD for all regions of the country, with no consideration of the actual costs of any given development. The HUD formula is unable to recognize the special security needs or the importance of supportive services to the particular population at Stamford Manor.

We have determined that it is not possible to increase the amount of public housing operating subsidy. We have also investigated other potential options for addressing the recurring deficits at Stamford Manor. All would maintain the level of affordability at Stamford Manor that currently exists, would not result in any change in resident rent payments, and would not require relocation of any residents. This topic is addressed in greater detail under Asset Management.

ASSET MANAGEMENT

Park 215, (Phase IV Vidal Court Revitalization): Over half of the commercial space is leased and medical offices there are in operation. A non-profit service provider has recently expressed strong interest in the remaining commercial space. We have worked closely with this organization to show the space, provide operational details, and offered terms for either a sale or long-term lease of the space.

Summer Place – Siding Repair of Adjacent Building: The two buildings on either side of Summer Place are built on the lot lines and are built out to the street frontage. Summer Place is set back from the street with it's parking area in front. A significant amount of the exterior siding on one of the adjacent buildings (1010 Summer Street) has detached and fallen into our parking area. No injuries resulted but one resident's vehicle was damaged. Half of our lot remains roped off for safety and unavailable. The owner of 1010 has offered free parking to our residents in their parking area, beneath the building. The owner has been fighting with his insurance carrier regarding his claim but has agreed to have his maintenance team make temporary repairs to allow full use of our parking lot. We continue to apply pressure to move the repair program forward.

Conversion of COC Public Housing Portfolio: HUD has two standards for conversion of public housing developments to Section 8 rental subsidy. For housing authorities with greater than 250 public housing units, one option is very cumbersome and requires extensive and costly repairs. The other option requires fewer repairs but provides no additional operating funding beyond what had been provided under the public housing program. This second option is the Rental Assistance Demonstration (RAD).

Applications for RAD conversion of the Ursula Park Townhouses, Sheridan Mews, Lawn Avenue, and CT Avenue public housing developments to Section 8 project-based vouchers have received preliminary approval. Physical needs assessments and energy audits have been completed for all five RAD sites. Data from the assessments and audits have been uploaded to the HUD e-Tool platform. We have completed a detailed review of the assessments and sent revised version to the architect. The architect will complete the upload of the reports in the HUD electronic system. HUD has asked that we utilize a new environmental review form, and we have initiated the review process using that form. The next step will be submission of the formal HUD financing plan, which is being developed and can be completed once the needs assessments are uploaded and the new environmental review is completed.

For the remaining 249 units, which includes Stamford Manor (215 units), and the public housing units within Post House Palmer Square, Greenfield, and Park 215, we suggest conversion to Section 8 under the Streamlined Conversion program, which is available for portfolios under 250 units. The simpler streamlined process has two significant advantages: Full Section 8 rental assistance is provided for every resident household, and HUD does not require a specific program of repairs. The revenue increase would be quite large, allowing reserves to be built up and providing an ability to fund repairs and improvements over time. The six scattered site public housing units are not addressed here because their disposition is already under way.

Taylor Street: Investigation by an independent party has determined that two of the eight owner-occupants are living elsewhere and renting their units, in violation of their deed covenants. We have initiated legal action against these two owners and their tenants on behalf of both Rippowam Corporation, as the designated affordability monitor, and the condominium association. The legal process has been delayed due to the closure of the courts. Following the required notice and hearing, we began fining the two owners in violation of the primary residence requirement. The fines are in the amount of $50 per day and are retroactive to the start of the violations. We have also amended the bylaws to permit our legal fees to be charged to those found in violation. One owner unit has recently sold. A second unit had been under contract (for the second time), but that buyer has withdrawn. A third prospective buyer is now under contract. We continue to assist prospective buyers and the seller by providing the maximum sale price calculation and buyer income limits. Because the unit under contract is owned by one of the two unit owners that is not using Taylor Street as their primary residence, we have placed a lien on the unit to ensure recapture of the significant fines that have accrued.

Leasing of Higher End Affordable Units: Eligibility under the Low-Income Housing Tax Credit Program (LIHTC) extends through households earning up to 60% of the area median income (AMI). In Stamford, the maximum income for a family of four is currently over $91,000. While there is almost always significant demand for LIHTC units in the separate category for households under 25% of AMI, there are fewer applications submitted by households at the higher end of the 26% - 50% AMI category, and within the 51% - 60% AMI category.

After extensive discussions with COC Admissions and Property Management staff, some changes have been implemented in hopes of generating more applications from households at the upper end of the eligible income range and retaining those applicants throughout the leasing process. COC has created new marketing materials and has reduced the size of the application package for units that have affordability restrictions but do not receive subsidy under the public housing or Section 8 programs. NewBridge Realty, the firm that handles the leasing for our market rate units, has been actively marketing the unsubsidized affordable units. The problem of recruiting applicants at the upper end of the income ranges eligible for affordable units remains, and we are working with COC and NewBridge to improve recruiting. COC is initiating a new marketing effort on a trial basis. We are coordinating with COC and are hopeful that the program will lead to increased wait lists.

Additional efforts and procedural changes remain under discussion both to improve our marketing efforts and to maintain better contact with households on the waiting lists, but we have identified one new approach as an experiment: We have begun using a private broker, Newbridge Realty, to generate applicants for units at Lawnhill Terrace aimed at households with incomes at the upper end of the affordable range. NewBridge has generated a significant number of applications for newly available units at Lawnhill 3, which is encouraging. We are hopeful that NewBridge applicants unable to get into Lawnhill 3 during initial lease-up will remain on the waiting list for future openings.

Year 15 Tax Credit Project Planning: As tax credit projects approach their fifteenth year of operations, it is necessary to prepare for the exit of the investor limited partner, which typically exits between years thirteen and fifteen of operations. Taylor Street and Post House are the two oldest tax credit developments in our portfolio, and we are focusing on these two sites initially. Discussions are being initiated with the investor limited partners, with the goal of transfer of their interest to the General Partner, which in each case would be an entity owned by Rippowam Corporation. The Taylor Street investor has indicated an interest in exiting the partnership early. Debt remaining at Taylor Street will be approximately $400,000 at the time of partnership dissolution, and approximately $2 million at Post House. Both developments can be refinanced for amounts sufficient to pay off the existing loans and fund any needed capital items, including energy efficiency improvements.

Miscellaneous: We have prepared a Request for Qualifications for architectural services in order to expand the list of pre-qualified design firms from which we can request proposals for specific projects. This will allow project-specific procurement to focus on the suitability of the pre-approved firms for the project under consideration and reduce the length of the procurement period. Following technical review by legal counsel the RFP will be published.

UPCOMING TRANSACTIONS AND TASKS

COVID-19: Address higher than anticipated rent delinquency levels. Implement rent relief program. Assist residents in applying for the State and local rent relief programs, and for unemployment compensation and other benefits. Submit FEMA funding application for fourth quarter 2020 – applications for second and third quarters have been previously submitted. Monitor new federal and state rent relief programs and assist COC in implementation. FEMA rules have recently changed to provide 100% reimbursement of eligible expenditures rather than 75%.

992 Summer Street: Continue to facilitate communication and coordination between COC property managers and Inspirica service provider team. Determine appropriate use for space previously planned for medical clinic for residents. Work with Inspirica to utilize the growing balance in the supportive services reserve. Identify and address source of mold in certain units. Monitor the repair of exterior siding on adjacent building. Pursue owner and City assistance if repairs are not performed timely.

Park 215: Continue marketing effort to obtain tenants for remaining available commercial space. Coordinate commercial tenant fit-out process. Continue discussions are with a prospective purchaser/tenant interested in all of the remaining commercial space.

Rippowam Manor: Coordinate re-occupancy by residents of the last few units being renovated. Lease other vacant units as quickly as possible.

Glenbrook Manor: Coordinate temporary relocation of residents during renovations. Coordinate renovations and oversee project during development period.

Lawnhill Terrace 3: Obtain final occupancy certificate for the development and coordinate re-occupancy with property management team and private leasing agent.

Lawnhill Terrace 4: Respond to any questions or information requests from CHFA and DOH.

Oak Park: Complete plans and specifications for initial emergency repairs, procure contractors, and implement repairs.

Wait List Management Improvement: Working with COC, develop improvements in marketing and recruitment of applicants, in evaluating applicant eligibility, and in keeping applicants eligible and interested while on the waiting lists. Coordinate use of private real estate agents.

Year 15 Preparation: Initiate discussion with investor limited partners for Taylor Street and Post House regarding the investor's exit from the limited partnership.

PORTFOLIO PERFORMANCE

Market rate occupancy levels continue reasonably strong, given Covid-19 concerns, although applicant quality has declined. The amount of unpaid rent remains high, with some market rate residents experiencing income loss due to Covid-19 and others simply choosing to withhold rent because of the State and federal eviction moratoria that remain in place. We have been generally successful in seeking more aggressive rent increases for the market rate units on turnover, although renewal increases are either not being implemented currently due to Covid-19 economic impacts or are smaller than usual. Strong demand and occupancy continues at the fully affordable developments in the Rippowam Corp. portfolio: Post House, Taylor Street, Clinton Manor, Quintard Manor, Summer Place, Rippowam Manor, Glenbrook Manor, and Lawnhill Terrace 1 and 2, although unpaid rent levels are significant at several sites, especially Lawnhill Terrace 2 and Oak Park. Rippowam staff work very closely with property managers from COC and Stone Harbour Management, and with Family Centers, which provides supportive services for all sites in our portfolio. We are closely monitoring rent delinquencies due to tenant income loss during the Covid 19 emergency and taking steps to offset those losses.

EXTERNAL COMMUNICATIONS AND ISSUES

CHFA Tax Credit Allocation Policies: We have submitted comments to CHFA in support of certain proposed revisions and making suggestions for other changes that we believe would create a more level playing field for renovation proposals and urban projects, in general.

DOH Funding Policies: Historically, State funding in tax credit projects from the State Department of Housing (DOH) has been provided as a grant or "soft" debt for which interest and principal payments are accrued and later forgiven, not repaid. DOH changed that policy a few years ago to one which requires repayment of the State investment from surplus cash from 50% of net cash flow. We are working with the new DOH leadership to urge either the elimination of the repayment requirement or at least a reduction on the portion of cash flow dedicated to repayment. To date we have been successful in reducing the repayment amount for Lawnhill 3 to 10% of net cash flow, and to deferring the commencement of repayment for over ten years.

Communities of Opportunity Policy: DOH and CHFA funding and tax credit allocation policies favor what are considered to be "communities of opportunity". Communities of opportunity are generally those with higher incomes, fewer low-income households, higher rated public schools, and more growth. Urban areas, such as the West Side of Stamford, do not fare well in this calculation and the policy further hinders our opportunities to receive tax credits and DOH funding. We will continue to seek modification of polices we believe unfairly penalize COC and that do not recognize the importance of neighborhood revitalization.