

CITY OF ALAMOGORDO, NEW MEXICO
HOUSING AUTHORITY BOARD
SPECIAL MEETING MINUTES
6:45 P.M., COMMISSION CHAMBERS
TUESDAY, DECEMBER 18, 2007

CHAIRMAN DON CARROLL
VICE CHAIRMAN RON GRIGGS
MEMBER INEZ MONCADA
MEMBER ED COLE
MEMBER MARION LEDFORD
MEMER CHRIS LUJAN

MEMBER STEVE BROCKETT
MEMBER NINA SAENZ WALKER
CITY MANAGER PAT MCCOURT
CITY ATTORNEY WILLIAM BROGAN
CITY CLERK RENEE CANTIN

CALL MEETING TO ORDER AND ROLL CALL

Chairman Carroll called the meeting to order at 6:48 p.m. Roll call was taken, and Vice Chairman Ron Griggs was absent.

Chairman Carroll welcomed Member Nina Walker Saenz as the newest member of the Housing Authority Board.

1. Minutes of August 27, 2007 Special Meting.

Recommendation: Approve the minutes.

Member Brockett made a motion to approve the minutes of August 27, 2007. Member Cole seconded the motion. A vote was taken, and all voted "aye." The motion carried with a vote of 7-0-0.

2. Post approval of the purchase of a house located at 815 Arapaho Trail.

Recommendation: Approve the purchase.

Ms. Barbara Jenkins explained that the home ownership program has a lease purchase program for low-income families. Houses are purchased and put into the program, and then low-income families can lease the homes for up to three years prior to having to get their mortgage. During that time, 50% of their monthly lease payment goes into an escrow to be used toward the down payment and closing costs. Ms. Jenkins went on to say that the City Commission has given them blanket approval up to \$65,000 so that they could negotiate and buy houses up to that amount without pre-approval. They then notify the City Commission when houses have been purchased.

Member Brockett made a motion to approve the purchase of a house located at 815 Arapaho Trail. Member Lujan seconded the motion. A vote was taken, and all voted "aye." The motion carried with a vote of 7-0-0.

3. Post approval of the purchase of a house located at 1305 Filipino Avenue.

Recommendation: Approve the purchase.

Member Cole made a motion to approve the purchase of a house located at 1305 Filipino Avenue. Member Brockett seconded the motion. A vote was taken, and all voted "aye." The motion carried with a vote of 7-0-0.

Commissioner Lujan asked who inspects the houses to make sure there are no problems prior to the purchase, and Ms. Jenkins explained that a contractor does that. She also explained some of what they look for in that process, and she said that they have a checklist that they go through. Member Lujan asked for a copy of that list.

4. Guidance on the Capital Fund Financing Program.

Recommendation: None.

Ms. Evelyn Huff explained that recently the Housing Authority had a physical needs assessment done by two highly qualified engineers from Albuquerque. While they have not provided a final report, Ms. Huff stated that they have had several meetings to discuss their preliminary findings, which include some major work that is going to need to be done to several of the large systems at both of the complexes. For example, Alta Vista has no ground wires in it at all. It is still two wires that are cloth-wrapped, and that is a big issue. Every unit will need to be re-wired. There are also problems with the electrical system at Plaza Hacienda as well as some issues with the plumbing systems at Plaza Hacienda. The preliminary estimate that the engineers provided is \$2 million to fix the plumbing and electrical systems. Their final report will be issued in early February, which will contain more concrete numbers.

Ms. Huff stated that a lot of housing authorities throughout the nation are facing similar issues due to their age and the way they were built. HUD has put in place the Capital Fund Financing Program, which is where the capital fund that is received each year from HUD can be leveraged so that the Housing Authority can get a large amount of capital at one time to do major upgrades all together instead of in small pieces over several years. Fannie Mae works in conjunction with HUD to help housing authorities to borrow from the Capital Fund Financing Program, which in essence is taking out a loan while agreeing to use their capital fund to pay it back over a certain amount of years. HUD approval is required on three different levels before consideration can be given to doing it. An RFP is then put out to look for a lender, and HUD has to approve the lender as well as every step along the way.

Chairman Carroll asked if this is something that they are required to do, and Ms. Huff said that it is completely voluntary. The reason they are looking into it is because they get about \$350,000 a year in capital fund money. Fixing the major system problems that exist using only that money would take at least 20 years. Chairman Carroll went on to state that according to the numbers, for a 20-year debt for them to come up with the \$2 million they would be pledging 50% of their revenues, 33 plus 15. Ms. Alicia Rios, Housing Manager, explained that the maximum they can pay back is 33%. Chairman Carroll made the point that they can't then borrow enough to solve the problem. Ms. Huff said that the most they can borrow is \$1.4 million, but because that is only 33% of the capital fund, they would still be receiving the other 67% of the capital fund along with the lump sum. Chairman Carroll explained that one of the concerns he has is their comfort level in terms of how they could continue to make bonds payments and still do capital upgrades that need to be done if the feds cut back on the capital moneys independent of the major renovation of the plumbing and electrical. Ms. Huff explained that before HUD would sign off on it they would have to demonstrate that they have a threshold for that. They have not determined the threshold and whether they wouldn't want to go with the 33% but perhaps 15%.

Ms. Huff stated that this is not their only option; others might include tax credits or grant money through CDBG. Ms. Rios stated that it is her understanding that this is a window of opportunity that opened up two years ago and will close next year.

Member Moncada asked if they would do the projects in phases, and Ms. Rios explained that there are logistical considerations because there are people living in places that have to be moved around while the work is being done. Ms. Huff stated that the urgency at the moment is Alta Vista, and that would be the first of the issues to be addressed. There are currently about 35 vacant units and 35 housed units.

Commissioner Ledford asked if they have a reserve program and how they got to this point. Ms. Huff explained that the physical needs assessment is a five-year cycle. Supposedly, the last one was done five years ago, and it has basically been ignored. The wiring at Alta Vista is the wiring that was

put in when it was built in the fifties. Member Ledford stated that it seems like a lot of money, and he asked what percentage of the total housing development it represents taking care of. Ms. Huff said that at Alta Vista the wiring would be replaced in every unit, and at Plaza Hacienda the issues with the electrical involves the distribution system in that the transformers are not adequate for the load that should be brought into a residential home, which is 100 amps. They have four units splitting 70 amps. Ms. Huff also explained that the capital fund is the reserve program. The rent finances the day-to-day operations, but there is not enough revenue from the rent to finance capital projects, which is why HUD provides the capital fund. To address the projects with the capital fund would mean that the phases of the project would be extremely small. They could do 10 units a year, which means they would lose the economies of scale. They would be paying a higher rate each time whereas by leveraging the capital fund and getting the capital up front they could take advantage of economies of scale and wouldn't have to move residents as much.

Member Ledford asked what the sewer problems are, and Ms. Huff explained that the problems with the sewer are only at Plaza Hacienda. The units called for "Y" underneath units, but at some time during the construction they stopped putting "Y's" and started putting "T's" in. It clogs and backs up, and they then cannot snake it or do the normal things that would be done because it is a "T." Also, all of the piping under the slabs at Plaza Hacienda is cast iron, and as it gets older, it grows together. A lot of the pipes started as three-inch pipes, and they are probably now down to an inch. Member Ledford asked if they have other capital issues that would be in jeopardy of not being taken care of because of using the money to do these projects. Ms. Huff stated that the electrical has been ranked number one and the plumbing number two. The next capital issue is the roofs, as they are not vented properly. There are some small fixes, however, they can do to increase the life of the roofs. In terms of other large capital projects, the interior and main exterior of the units are in really good shape. Member Ledford asked if it takes 20 years to service the debt to what extent they are pledging the capital fund. Ms. Rios stated that they get up to 20 years to service the debt at 25% of the capital fund. Ms. Rios reiterated that they would have to show HUD that they would be able to function on 75% of the capital fund. Ms. Huff stated that currently they take 20% of the capital fund for operations. They have put measures in place to decrease that every year, and if they could get to the place where they are not taking anything from the capital fund for operations, they would be fine. Right now, they only operate on 80% of the capital fund.

Commissioner Lujan asked how long the money would last if they did get the money, and Ms. Huff stated that with current estimates, the plumbing project could last two years. She does think the money could cover all of the electrical and a good portion of the plumbing. Ms. Rios explained that they essentially have to have a specific plan designed before they could get the loan as to how the money would be spent. It would all be done through the procurement system in terms of an RFP process.

Commissioner Brockett asked if they decided to not mess with this and did repairs in small increments whether HUD had given instruction as to the repairs needing to be completed in the next five years. Ms. Rios made the point of considering whether they could really rent any more units with the current kinds of issues and whether they could really get to 100% occupancy as HUD is requiring. Again, this is one option to pursue to get the repairs done, but the process to pursue it is so labor intensive that they wanted to see if they would have the support of the Board in order to address it. Getting money to do these things is difficult. Ms. Huff stated that HUD does get a copy of the physical needs assessment, and as part of that HUD helps to create the five-year plan. They will be looking at whether or not steps are being taken to address the issues and whether the physical needs assessment is being taken seriously and efforts are being made to mitigate the issues.

Member Brockett said that since they would not be committing to this, he didn't see any reason it shouldn't be investigated further. Chairman Carroll suggested that this consideration be put in as part of the budget hearings for the next fiscal year. He brought up the point of consideration that the Housing Authority has 220 units, and it may not be realistic to expect that they are ever going to rent out 220 units. If not, at some point perhaps consideration will have to be given to scaling the Authority back to some other manageable number. His concern is it is a \$2 million project, and they have \$1

million to do it. All of the units will not be able to be repaired, and perhaps in light of that, consideration needs to be given as to how many units they need. It needs to be addressed as part of an overall plan particularly as the funding from the feds is not a constant amount. If there isn't a plan to get the operation self-sustaining, perhaps this isn't a viable option. He does think it is worth pursuing, however, to at least get a general plan of what it is they want to do.

Ms. Rios stated that they had a discussion with the field operations director and the engineer on the units at Alta Vista. The engineer at that point basically said that he would be hard-pressed to demolish them because they are still in very good shape, and structurally they are sound. Ms. Rios stated that this is a big project, and it would take at least a year to go through the process. In 2009, the five-year plan is due, and the physical needs assessment is essentially to help them see what needs to be done.

Member Cole asked if this is approved, the money is borrowed against revenue of future years and then something is shut down who would hold the purse strings to pay it off, and Ms. Rios said that her understanding from talking to Fannie Mae and other financial institutions is that if HUD scales back, they scale back. HUD would be paying whatever institution finances it. There are many, many questions that still need to be answered.

Member Cole also made the point that personally he feels the units by the high school in Alta Vista need to be shut down. He would like consideration to be given to that. He thinks it should be evaluated in terms of rentability and how long certain units have been sitting empty.

Commissioner Lujan stated that he would think they should do the minimum that they can to see if they would qualify for the money while also looking at whether they could do the job if they had the money. He wouldn't want them to take too much time away from what they need to do to try to get it if they can't even do the projects if they had the money. Ms. Rios said that the physical needs assessment will help them make that evaluation, and that should be done by February.

City Manager McCourt made the point that it is currently just a broad concept, and they wanted to see whether it was even worth exploring.

Member Ledford stated that it is a major project, and he wants to be sure that what would be brought back before the Board would be options to look at. They may want to take more time to evaluate it than what is available at a regular meeting. Chairman Carroll stated that the next year's budget time would be the time to look at it.

The Housing Board wants them to pursue this on a general scale as to how it could work without spending an elaborate amount of time trying to justify something to HUD that may not even be done.

ADJOURNMENT

Member Brockett made a motion to adjourn at 7:27 p.m. Member Lujan seconded the motion. A vote was taken, and all voted "aye." The motion carried with a vote of 7-0-0.

(SEAL)

/s/Donald E. Carroll

Chairman Donald E. Carroll

ATTEST:

/s/Reneé L. Cantin

Secretary Reneé L. Cantin

(Prepared by Ubiquis Reporting)

Approved at the Special Meeting held on February 12, 2008.