

**Pennsylvania Housing Finance Agency
Meeting of the Board
February 10, 2011**

Members Present:

Gary E. Lenker, Acting Chairman
Victoria Reider (serving in the stead of
Paul Wentzel, Acting Secretary,
Department of Banking)
Thomas Hagen
Edward Geiger, (serving in the stead
(of C. Alan Walker, Acting Secretary,
Department of Community and
Economic Development)
*Morris J. Dean
Ford S. Thompson (serving in the stead of
Gary D. Alexander, Acting Secretary,
Department of Public Welfare)
*Lisa R. Gaffney
*Keith Welks (serving in the stead of
Rob McCord, State Treasurer)
*John Paone
*Mark Schwartz
*Howard B. Slaughter, Jr.

*On Telephone conference call

Others Present:

Brian A. Hudson, Executive Director
Rebecca L. Peace, Chief Counsel
David L. Evans, Assistant Executive Director of Multifamily
William W. Fogarty, Director of Government Affairs
Holly Glauser, Director of Development
Kathryn Newton, Director of Homeownership Programs
*Barbara Stephens, Public Affairs Officer
Brenda Wells, Director of Western Region, PHFA
Scott Elliott, Manager of Communications
Kimberly Boal, Director of Information Technology
Robert Bobincheck, Director of Strategic Planning and Policy
Melissa Raffensperger, Policy Associate
Jennifer Gerace, Senior Business Development Officer
JoLynn Stoy, Associate Counsel
Larry Jackson, Manager of Internal Audit
Carl Dudeck, Manager of Financial Operations
Cindy Daley, Housing Alliance
Steve Bologa, Ernst and Young
*Michael Horsey, Mitchell/Titus

Members Absent:

Noel E. Eisenstat
Jeremy Nowak

Charlotte L. Nelson, Assistant Secretary
Carrie M. Barnes, Secretary

A meeting of the Members of the Board of the Pennsylvania Housing Finance Agency was held on Thursday, February 10, 2011, at 10:30 a.m. at the offices of the Pennsylvania Housing Finance Agency, 211 North Front Street, Harrisburg, Pennsylvania.

In compliance with the provisions of the Sunshine Act, notification of this meeting appeared in the Legal Notices Section of *The Patriot News* in Harrisburg, Dauphin County on February 3, 2011.

1. CALL TO ORDER AND ROLL CALL

The meeting was called to order by Acting Chairman Lenker at 10:30 a.m. The roll was called and a quorum was present.

2. ELECTION OF VICE CHAIRMAN OF THE BOARD

Ms. Reider nominated Gary Lenker as Vice Chairman of the PHFA Board. No other nominations were presented.

Ms. Reider made the motion that Gary Lenker be elected Vice Chairman of the PHFA Board. This motion was seconded by Mr. Thompson and was unanimously approved.

3. APPROVAL OF THE MINUTES FROM THE DECEMBER 8, 2010 BOARD MEETING

There were no additions or corrections to the minutes.

A motion was made by Mr. Thompson that the minutes from the December 8, 2010 Board meeting be approved as submitted. This motion was seconded by Mr. Hagen and was unanimously approved.

4. PROGRAM DEVELOPMENT AND REVIEW COMMITTEE REPORT

A. Restructuring of Mortgage Loan – Tasker Village

Mr. Evans reported that the Agency has been requested to approve a transfer of ownership for Tasker Village, as well as the restructuring of the financing which would include selling a portion of the development. Staff recommends approval of this request.

Acting Chairman Lenker reported that the Program and Development Review Committee concurred with staff's recommendation.

Mr. Hagen made the motion that the Board approve the transfer of ownership and restructuring of the financing for Tasker Village. This motion was seconded by Mr. Geiger and was unanimously approved. (See Appendix 1 of these Minutes.)

B. Portfolio Preservation Restructurings

Mr. Evans reported that the Agency is being requested to approve the prepayment of five mortgages in its portfolio – Allentown Towne House Apartments, Prince Street Towers, River Front Apartments, Sencit Towne House Apartments, and Susquehanna View Apartments. Mr. Evans reviewed the specifics of each development. Agreements will be entered into with each facility to require continued occupancy by qualified low income residents, continued maintenance of solid physical property standards and the continued renewal of the Section 8 contracts. Staff recommends approval of these prepayment requests.

Acting Chairman Lenker stated that the Program and Development Review Committee concurred with staff's recommendation.

Ms. Reider made the motion that the Board approve the resolution authorizing portfolio preservation restructuring for Allentown Towne House Apartments, Prince Street Towers, River Front Apartments, Sencit Towne House Apartments and Susquehanna View Apartments. This motion was seconded by Mr. Hagen and was unanimously approved. (See Appendix 2 of these Minutes.)

C. Project Workout – Chestnut/56th Street Apartments

Mr. Evans reviewed the specifics of Chestnut/56th Street Apartments. He reported that the development has experienced occupancy and cash flow problems from the beginning and noted that the Agency has already restructured both the primary and second mortgages. The owner has not been able to obtain low income housing tax credits to make upgrades to the development. Without tax credits, the repairs are not affordable.

It has been determined that a portion of the development has severe structural problems and the threat of collapse is an issue. Because of this, the owner has been relocating the residents to other buildings they own.

There are no potential buyers for the development and it has no positive value. Staff is recommending the termination of the mortgage and all security interests as well as the forgiveness of the outstanding support debt.

Acting Chairman Lenker reported that the Program and Development Review Committee held an extensive discussion regarding this development. Following the discussion, the Committee concurred with staff's recommendation of approval of the termination of mortgage funding for Chestnut/56th Street Apartments.

Mr. Geiger made a motion that the Board approve the mortgage restructuring and transfer of ownership for the Chestnut/56th Street Apartments. This motion was seconded by Ms. Reider.

Mr. Dean asked what would happen to the development. Mr. Evans stated that it would probably be abandoned or sold and demolished. Mr. Dean asked if the University of Pennsylvania has been contacted about the possibility of purchasing the development since they are in the area. Mr. Hudson stated that staff would reach out to the University of Pennsylvania regarding this development.

There being no further discussion, Acting Chairman Lenker called for a vote on the motion that the Board approve the mortgage restructuring and transfer of ownership for the Chestnut/56th Street Apartments. Mr. Paone abstained. The motion carried. (See Appendix 3 of these Minutes.)

D. Other Business

Acting Chairman Lenker reported that the Program and Development Review Committee approved the transfers of ownership for Rolling Hills located in Pottstown, Montgomery County and Dimeling Senior Residences in Clearfield, Clearfield County. (See Appendices 4 and 5 of these Minutes.)

No Board action was required on these transfers.

5. HEMAP COMMITTEE REPORT

Mr. Schwartz, as chair of the HEMAP Committee, reported that the Committee met earlier in the week and received an update from staff regarding the federal Emergency Homeowners Loan Program (EHLA). He noted that approximately \$105,000,000 should be coming to the Agency under this program to assist homeowners threatened with foreclosure. Thus far, the program has been very slow in getting started. The Agency awaits documentation and direction from HUD before the program can begin serving residents.

Mr. Hudson stated that the Agency will treat this federal program basically like the HEMAP program and will utilize its already established credit counseling network. He has been meeting with members of Legislature about the program and updating them on what the Agency has been doing to get geared up once the guidelines have been issued and the money received.

The Agency has set up a hot line manned by temporary employees and is taking calls from individuals regarding this program. Mr. Hudson noted that the funds must be encumbered by September 30, 2011 so the time frame is rather short. At this point, pre-applications are being taken.

The Board will be kept informed of the progress of this program.

Mr. Schwartz also noted that the Committee met with the auditors for the HEMAP program, Mitchell/Titus, regarding the audit for fiscal year ended June 30, 2010.

Mr. Horsey of Mitchell/Titus addressed the Board and noted that they have issued an unqualified opinion and that there are no issues or problems with internal controls. He noted that there was significant support from Agency staff.

The HEMAP Committee recommends approval of the HEMAP audit.

Mr. Schwartz made the motion that the Board accept the HEMAP audit as submitted by Mitchell/Titus. This motion was seconded by Mr. Geiger and was unanimously approved.

Mr. Hudson added that the Agency will be requesting a \$15,000,000 appropriation in the State budget to continue the HEMAP program for the next year. Last year the Agency requested \$11,000,000 and received \$10,400,000.

Mr. Hudson will be testifying before the Appropriations Committee on March 29 and will stress the importance of funding the HEMAP program to provide continued mortgage assistance to Commonwealth residents.

He will keep the Board informed on this issue.

6. AUDIT COMMITTEE REPORT

Mr. Geiger, as chairman of the Audit Committee, reported that the Audit Committee, along with the HEMAP Committee, met with the auditors of the HEMAP program and the Agency for an update on the audits. This included meeting without staff to allow the Committee to directly question the auditors. He reported that Ernst & Young are the auditors for the Agency.

Mr. Baloga of Ernst & Young, reported that there were no significant deficiencies found nor material weaknesses noted in the audit.

The Audit Committee recommends approval of the Agency audit.

Mr. Geiger made the motion that the Board accept the Agency audit as submitted by Ernst & Young. This motion was seconded by Mr. Schwartz and was unanimously approved.

7. OTHER BUSINESS

A. State Government Transition

Mr. Schwartz expressed thanks to Mr. Hagen for his assistance to the Agency during the Governor Corbett's transition process. Mr. Hudson also expressed his appreciation of Mr. Hagen's assistance.

9. ADJOURNMENT

There being no further business to be discussed, a motion was made and seconded that the meeting be adjourned. The motion was unanimously approved. Acting Chairman Lenker adjourned the meeting of the Board at 11:05 a.m.

The next regularly scheduled meeting of the Members of the Board of the Pennsylvania Housing Finance Agency will be held on Thursday, March 10, 2011, at 10:30 a.m. at the offices of the Agency, 211 North Front Street, Harrisburg, Pennsylvania.

Respectfully submitted,

Carrie M. Barnes
Secretary

**RESOLUTION OF THE MEMBERS OF THE BOARD
OF THE PENNSYLVANIA HOUSING FINANCE AGENCY
APPROVING TRANSFER OF OWNERSHIP AND RESTRUCTURING
TASKER VILLAGE, PHFA NO. O-280**

WHEREAS, Tasker Village, located in Philadelphia, Philadelphia County, Pennsylvania (the "Development"), was originally financed in May 1994 through a \$560,000 mortgage loan through funds provided by Agency bond financing; and

WHEREAS, the current ownership entity of the Development, Tasker Village Associates, a Pennsylvania limited partnership, has requested Agency approval of the transfer of ownership to Diversified Community Services, Inc. ("DCS"); and

WHEREAS, the Development is subject to Agency approval of any change in the nature or character of the ownership entity throughout the term of the Agency mortgage loan; and

WHEREAS, DCS will assume the existing mortgage and will continue to operate the Development and shall be responsible for the fiscal and physical condition of the Development; and

WHEREAS, DCS intends to restructure the ownership interest into a condominium consisting of two units of which one unit will contain 28 residential rental units, community room, unisex accessible restroom, maintenance storage and a rental office and the other unit will contain commercial space; and

WHEREAS, DCS will sell the condominium unit consisting of commercial space to Innova Services Corporation with the Agency releasing its mortgage from said unit; and

WHEREAS, staff recommends approval of transferring ownership of the Development to DCS with DCS assuming Agency financing on the Development, converting the ownership interest to a condominium, selling the commercial space in the Development to Innova Services Corporation at which time the Agency will release its mortgage on that portion of the Development, subject to the conditions set forth below.

NOW, THEREFORE, be it resolved by the Members of the Board of the Pennsylvania Housing Finance Agency on this 10th day of February, 2011, as follows:

Section 1. The Agency approves the transfer of ownership of Tasker Village to Diversified Community Services, Inc. with DCS assuming Agency financing, converting the Development from a fee simple ownership to a condominium and selling a portion of the Development to Innova Services Corporation, which portion will be released from the Agency's mortgage.

Section 2. The Executive Director, Assistant Executive Director and other Agency staff are authorized and directed to take all actions necessary to effectuate the transfer and restructure of ownership interests and sale of a portion of the property as approved by Agency staff; subject to review and approval of the appropriate documents for the transaction.

Section 3. This resolution shall take effect immediately.

**RESOLUTION OF THE PENNSYLVANIA HOUSING FINANCE AGENCY
AUTHORIZING PORTFOLIO PRESERVATION RESTRUCTURING
FOR FIVE MULTIFAMILY DEVELOPMENTS**

WHEREAS, Everest Properties, Inc., a California corporation, ("Everest Properties") is the general partner of Allentown Towne House Limited Partnership, Prince Street Towers Limited Partnership, River Front Apartments Limited Partnership, Sencit Towne House Limited Partnership and Susquehanna View Limited Partnership ("Owners"), which are the owners of five Section 8 projects with outstanding Agency financing that are located respectively, in Lehigh County, Lancaster County, Northumberland County, Berks County and Cumberland County, Pennsylvania (the "Projects"); and

WHEREAS, Everest Properties has requested that the Agency allow refinancing of the outstanding Agency first and second mortgage loans; and

WHEREAS, the Agency has reviewed the Projects, the remaining Section 8 contract terms and rent levels, the proposed new debt structures, and has calculated the economic losses which will be incurred by the Agency if the Projects are refinanced; and

WHEREAS, the Agency has determined that it is willing to allow the refinancings if the Owners are willing to undertake a long term affordability strategy for the Projects, agree to pay all of the lost revenues to the Agency which are associated with the bond financings and existing regulatory structures and agree to assume the existing Section 8 for the maximum term retaining the Agency as Contract administrator, and if the new financings do not create economic hardship on the Projects; and

WHEREAS, based on its review and through its negotiations with the Owners, the Agency has determined that these conditions will be met.

NOW THEREFORE, be it resolved by the members of the Pennsylvania Housing Finance Agency on this 10th day of February, 2011 as follows:

Section 1. Staff is authorized to take the following actions regarding the Projects and to do all things necessary to effect the referenced mortgage refinancings, subject to the Agency accepting prepayment of the Agency's mortgage loans with an economic loss calculation for each of the following Projects (as of February 24, 2011) as set forth below:

Allentown Towne House Apartments, PHFA No. R-187 (outstanding principal of first mortgage \$1,767,470.06, outstanding principal and interest of second mortgage \$3,696,911.29 with economic loss payment of \$301,554.00);

Prince Street Towers, PHFA No. R-414 (outstanding principal of first mortgage \$1,267,943.12, outstanding principal and interest of second mortgage \$5,591,300.78 with economic loss payment of \$163,198.00);

River Front Apartments, PHFA No. R-458 (outstanding principal of first mortgage \$2,552,578.80, outstanding principal and interest of second mortgage \$2,927,037.33 with economic loss payment of \$508,397.00);

Sencit Town House Apartments, PHFA No. R-389 (outstanding principal of first mortgage \$493,349.64, outstanding principal and interest of second mortgage \$450,348.20 with economic loss payment of \$47,619.00); and

Susquehanna View Apartments, PHFA No. R-451 (outstanding principal of first mortgage \$2,571,050.46, outstanding principal and interest of second mortgage \$6,777,842.19 with economic loss payment of \$508,232.00).

Section 2. As a condition of the restructuring, Owners must agree to enter into extended use agreements, agreeing to retain all five (5) Projects in the Section 8 portfolio to the maximum extent possible, and to extend the affordability periods for the Projects for thirty years.

Section 3. Staff is further directed to review the Owner's satisfaction of any outstanding compliance issues affecting the properties in any of the Agency's programs and securing appropriate remediation plans.

Section 4. This resolution shall take effect immediately.

**RESOLUTION OF THE MEMBERS OF THE BOARD
OF THE PENNSYLVANIA HOUSING FINANCE AGENCY
APPROVING MORTGAGE RESTRUCTURING AND TRANSFER OF OWNERSHIP
CHESTNUT/56TH STREET APARTMENTS, PHFA NO. O-0083**

WHEREAS, Chestnut/56th Street Apartments, located in Philadelphia County, Pennsylvania (the "Development"), was originally financed in December 1990 through an aggregate loan of \$4,792,046 (the debt has been restructured twice and in 2008, the outstanding primary debt was converted into support debt resulting in an outstanding support debt of \$3,585,840); and

WHEREAS, the Development has been suffering from continuous operating, financial and physical need losses and difficulties; and

WHEREAS, 1260 Housing Development Corporation, the current owner of the Development, has unsuccessfully attempted to restructure both the Development and its financing; and

WHEREAS, the Development has physically deteriorated to a point that it may be a structural hazard to the tenants and the neighborhood necessitating the relocation of all tenants; and

WHEREAS, the Agency recognizes that the Development has no positive value to the neighborhood both fiscally and physically; and

WHEREAS, the Agency has reviewed the Development and the circumstances surrounding it and recommends that the Agency release all security interests in the Development including, but not limited to, terminating its mortgages and forgiveness of its support debt, as set forth below.

NOW, THEREFORE, be it resolved by the Members of the Board of the Pennsylvania Housing Finance Agency on this 10th day of February, 2011, as follows:

Section 1. Staff is authorized to take all actions necessary to effectuate the termination of its mortgage and all other security interests in the Development as well as the forgiveness of the outstanding support debt.

Section 2. This resolution shall be effective immediately.

**RESOLUTION OF THE MEMBERS OF THE BOARD
OF THE PENNSYLVANIA HOUSING FINANCE AGENCY
APPROVING TRANSFER OF GENERAL PARTNER INTEREST
ROLLING HILLS, PHFA NO. R-61**

WHEREAS, Rolling Hills, located in Pottstown, Montgomery County, Pennsylvania (the "Development"), was originally financed in July 1974 in the aggregate amount of \$5,045,000 through funds provided by Agency taxable bond financing; and

WHEREAS, the current ownership entity of the Development, Rolling Hills Apartments Limited Partnership, a Pennsylvania limited partnership, has requested Agency approval of the transfer of the Operating General Partner's interest; and

WHEREAS, the Development is subject to Agency approval of any change in the nature or character of the ownership entity throughout the term of the Agency mortgage loan; and

WHEREAS, the new Operating General Partner will assume the existing mortgage and will continue to operate the Development and shall be responsible for the fiscal and physical condition of the Development as the Operating General Partner of Rolling Hills Apartments Limited Partnership; and

WHEREAS, staff recommends approval of the proposed transfer of the Operating General Partner's interest of Rolling Hills Apartments Limited Partnership from Community Realty Management, Inc. to Rolling Hills-Michaels, LLC, a New Jersey limited liability company, subject to the conditions set forth below.

NOW, THEREFORE, be it resolved by the Members of the Board of the Pennsylvania Housing Finance Agency on this 10th day of February, 2011, as follows:

Section 1. The Agency approves the transfer from Community Realty Management, Inc. to Rolling Hills-Michaels, LLC as Operating General Partner of Rolling Hills Apartments Limited Partnership.

Section 2. The Executive Director, Assistant Executive Director and other Agency staff are authorized and directed to take all actions necessary to effectuate the transfer; subject to staff review and approval of the appropriate documents for the transaction.

Section 3. This resolution shall take effect immediately.

**RESOLUTION OF THE MEMBERS OF THE BOARD
OF THE PENNSYLVANIA HOUSING FINANCE AGENCY
APPROVING REMOVAL AND SUBSTITUTION OF GENERAL PARTNER
DIMELING SENIOR RESIDENCES, PHFA NO. O-634**

WHEREAS, Dimeling Senior Residences, located in Clearfield, Clearfield County, Pennsylvania (the "Development"), was originally financed in January 2000 in the amount of \$1,146,888 through funds provided by the Agency PennHOMES Program; and

WHEREAS, the current ownership entity of the Development, Dimeling Senior Residence Associates, L.P., a Pennsylvania limited partnership, has informed the Agency of the removal of its current general partner, Regis Development Corp. for failure to comply with the Amended and Restated Agreement of Limited Partnership of Dimeling Senior Residence Associates, L.P.; and

WHEREAS, the Development is subject to Agency approval of any change in the nature or character of the ownership entity throughout the term of the Agency mortgage loan; and

WHEREAS, the new general partner, Replacement GP PA, LLC, will assume the existing mortgage and will continue to operate the Development and shall be responsible for the fiscal and physical condition of the Development as the general partner of Dimeling Senior Residence Associates, L.P.; and

WHEREAS, staff recommends approval of the removal and substitution of the general partner of Dimeling Senior Residence Associates, L.P., subject to the conditions set forth below.

NOW, THEREFORE, be it resolved by the Members of the Board of the Pennsylvania Housing Finance Agency on this 10th day of February, 2011, as follows:

Section 1. The Agency approves the removal of Regis Development Corp. as general partner of Dimeling Senior Residence Associates, L.P. and the admission of Replacement GP PA, LLC as the new general partner.

Section 2. The Executive Director, Assistant Executive Director and other Agency staff are authorized and directed to take all actions necessary to effectuate the removal and substitution; subject to staff review and approval of the appropriate documents for the transaction.

Section 3. This resolution shall take effect immediately.