RIPPOWAM CORPORATION
BOARD MEETING

May 25, 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 April 27, 2021

c. Development Update

d. Other Business

e. Adjourn

RIPPOWAM CORP. DEVELOPMENT UPDATE
MAY 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.

For residents with genuine income loss due to Covid-19, the internal COC rent relief program can cover up to 100% of delinquent rent at the time of entering the rent relief program. Upon entering the program, residents will pay 30% of their income as rent, with the accrued balance going forward being subject to a repayment agreement, commencing at the end of the period of Covid related income loss.

Those eligible for temporary full or partial rent deferral include residents other than those in the federal public housing and Section 8 programs. The program has been expanded to allow applications from market rate tenants. Federal program residents are already eligible for interim re-certifications, which reduce the tenant share of rent and offset that reduction with an increase in federal subsidy. The developments most affected by potential rent loss are Oak Park and all Lawnhill Terrace phases.

Tenant participation in the rent forbearance program has increased due to program modifications and extensive outreach and recruitment efforts by property managers and resident service coordinators. Some residents are reluctant to commit to a repayment agreement, or possibly to sign any agreements, but we also find a number of households that have not experienced significant income loss but simply choose not to pay. These residents are not eligible for the rent relief program and are taking advantage of the State eviction moratorium to withhold rent without immediate consequence. When the eviction moratorium eventually ends, we anticipate many of these residents will move out, either with or without notice, leaving large unpaid balances.

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, 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 closed its previous rent relief program in early December. The 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 fund 85% of up to six months of delinquent rent and up to six months future rent. We have objected to the requirement that landlords forgive 15% of delinquent rent and urged the State to remove that requirement for housing authorities and non-profit owners. 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.

IN CONSTRUCTION

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. The first quad has received City approval for occupancy for all 26 units. The second quad complete and awaits only final City inspection before occupancy can begin. The management office/community building is awaiting inspection from two City departments but is also largely complete. The property management team is actively working with existing residents to relocate them from the Phase 4 area to the completed Phase 3, and is also working with our private leasing agent, NewBridge Realty to secure tenants for the units not needed by existing relocating households.

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. B stack units are complete and residents have moved into these units. The final stack is C, with all units vacated to allow renovations to commence. Repaving of the entire parking area was completed last week. Alternate parking for residents was provided at Clinton Manor and a shuttle bus operated on a half hour schedule between the two sites. Overall project completion is anticipated in June. Work in common hallways is nearing completion, and work is progressing in the community room. Outdoor work includes refinishing the building exterior, which is progressing well, and landscape work which commenced with the arrival of warmer weather.

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 two phases of units have been completed, a total of eleven units, and have been re-occupied. Work is nearing completion in the third phase and is going more quickly than the first two phases. Exterior windows installation continues. New windows will be installed in re-occupied and renovated units in coordination with residents to minimize disruption. Roof replacement had been scheduled for May, but the roofing subcontractor has gone out of business, delaying the work until a new roofer can be found.

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. We anticipate submission of the 4% tax credit application and additional DOH materials before the end of May, with a financial closing targeted for fall of this year, depending on the timing of CHFA and DOH review.

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 and will order an appraisal of the property as soon as we accept the terms. We are waiting for the tax credit investor to sign off on the new financing before we can sign the loan agreement. Investor approval is anticipated since total debt service is not expected to increase because of lower current interest rates.

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.

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 are reviewing the assessments and revising as appropriate, a time consuming process. The reports are expected to be in final form by mid-June for submission to HUD. The required environmental review process is under way with the thirty day comment period completed. 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 finalized.

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 two units targeted to households with incomes up to 60% of the area median for which the wait lists are exhausted. We will be listing these units with a private broker (NewBridge Realty) in the CT Multiple Listing Service (MLS). If successful, this will result in both the leasing of the two available units, and also in the start of a wait list made up of those eligible applicants not selected for these two units. We also hope that the brokers associated with these applicants will remain in contact with them while they are on the wait list, resulting in a more accurate and up to date wait list as time passes.

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 remaining final occupancy certificates and coordinate re-occupancy with property management team and private leasing agent.

Lawnhill Terrace 4: Finalize and funding applications.

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. Place MLS ads.

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: CHFA has published the draft 2021 QAP (Qualified Allocation Plan (QAP), used to establish priorities for awarding 9% tax credits.) The draft reflects many of the suggestions we have made, and we will submit comments on the draft document.

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.