1. BET Parsonage Cottage Working Group Documents

Documents:

BET_PARSONAGE_COTTAGE_WORKING_GROUP_AGENDA_05-13-14.PDF
SUB_TO_APP_PARSONAGE_COTTAGE_WORKING_GROUP_MINUTES_05-13-14.PDF
APPROVED_PARSONAGE_COTTAGE_WKG_GRP_MINUTES_05-13-14.PDF
TOWN OF GREENWICH
BOARD OF ESTIMATE AND TAXATION

Parsonage Cottage Working Group

Tuesday, May 13, 2014

Mazza Conference Room
1st Floor, Town Hall
3:00 P.M.

AGENDA

1. Approval of February 21, 2014 Meeting Minutes
2. Review Draft Response Letter
3. Next Steps
4. Adjournment
TOWN OF GREENWICH
BOARD OF ESTIMATE AND TAXATION
PARSONAGE COTTAGE WORKING GROUP

MINUTES – Mazza Conference Room, 1st Floor, Town Hall

Tuesday, May 13, 2014

Committee: Marc Johnson, Mary Lee Kiernan, Leslie Tarkington, Bill Finger,

Board: Michael Mason, BET Chairman, Nancy Weissler

Others: Peter Mynarski, Comptroller, George Yankowich, Housing Authority Chairman, Anthony Johnson, Housing Authority Executive Director, Princess Erfe, Community Development Administrator, Aamina Ahmad, Assistant Town Attorney, Louis P. Pittocco, Housing Authority Legal Representation, Peter Tesei, First Selectman

The meeting was called to order at 3:07 P.M.

1. Approval of February 21, 2014 Meeting Minutes

Upon a motion by Mr. Finger, seconded by Mr. Tarkington, the Working Group voted 3-0-1 to approve the February 21, 2014. Mr. Johnson was absent for the February 21, 2014 meeting and abstained.

2. Review Draft Response Letter

Ms. Kiernan started by giving all in attendance an update on the proceedings of the Working Group to date. Ms. Kiernan stated that this was the fourth meeting of the Working Group. The Working Group previously held three meetings; on October 8, 2013, November 6, 2013 and most recently February 21, 2014. Ms. Kiernan said that the Working Group sent a November 25, 2013 letter to The Housing Authority of the Town of Greenwich (HATG) with a request for additional information and a loan modification offering. The HATG responded to the November 25th letter with a December 13, 2013 letter. In addition, HATG responded with a February 2014 letter response. Ms. Kiernan concluded by saying The Working Group reviewed the February HATG response in detail and made a Town and Community Development Block Grant (CDBG) loan modification offer which is detailed in a draft May 13, 2014 letter to the HATG which will be covered in detail at this meeting.

Ms. Kiernan informed everyone that she would proceed by going over in detail the May 13, 2014 letter drafted by the Working Group and distributed to everyone at this meeting. Ms. Kiernan directed everyone’s attention to the second paragraph on page 2 of the letter and methodically went through each sentence. The substance of the paragraph details the Town and HATG entering into various agreements in respect of the Parsonage Cottage property in approximately 1995, the subsequent purchase by HATG of the 99% limited partnership interests from Edison Capital without the required consent of the Town and who should benefit from the future equity cash flows that may result from the future operations of Parsonage Cottage. More specifically, Ms. Kiernan stated that since the tax credits to Edison Capital had been fully utilized and HATG had purchased the 99% partnership interests without the consent of the Town, that it basically constituted a technical default, and this was also the opinion of the Law Department and the
Working Group. She told HATG officials that the original intent was for only the limited partners to receive the equity cash flow for the Partnership in order to utilize these tax credits and it was never intended in the original 1995 agreements for the HATG and its affiliate, the Town Hall Annex Corporation, to assume 100% ownership. Ms. Kiernan said that it is the recommendation of the Parsonage Cottage Working Group that Parsonage Cottage, not HATG, benefit from the future equity cash flows that may result from the operation of Parsonage Cottage. This goal is intrinsic in the two alternative offers provided to HATG in the draft May 13, 2014 letter.

Mr. Tony Johnson strongly expressed disagreement with the content of the paragraph, supported by Mr. Yankowich and HATG legal counsel Mr. Pittocco. Mr. Tony Johnson argued that he could present cases of other Housing Authorities in similar arrangements assuming ownership rights at the conclusion of tax credit arrangements. Ms. Kiernan countered by stating she could also present cases to support the Working Group’s case detailed in this letter that align with housing markets similar to Greenwich where housing facilities are full or almost full. Mr. Finger, in support of Ms. Kiernan, added that this particular arrangement between the Town and HATG was different than those cases Mr. Tony Johnson may present because of the loans made by the Town. Mr. Pittocco attempted to soften the technical default aspect by stating HATG had a similar situation with the Town Hall Annex Corporation, which was approved by the State of Connecticut. Mr. Finger countered that deal did not involve Town loans and the special rights of the Town as senior secured creditor. The substance of the discussions centered on the argument of whether or not the HATG purchase of the limited partnership interests constituted a technical default and who should benefit from any future cash flows. Ms. Kiernan, with support of the Town of Greenwich Law Department, concluded that under HATG reorganization involving Parsonage Cottage that one or more defaults have occurred, triggering cross defaults under other related agreements. Mr. Pittocco and HATG officials expressed disagreement that reorganization did in fact, occur.

As the discussion continued, the Working Group members collectively wanted to assure HATG officials that it was not the preference to exercise Alternative #2 to eliminate the Partnership Structure in light of what appeared to be a situation of technical default. The Working Group repeatedly stressed to HATG officials they wanted to work with them to the benefit of Parsonage Cottage and its residents, and to provide for the appropriate financing of future capital needs of Parsonage Cottage.

Ms. Kiernan continued working through the draft May 13th letter. Under Alternative #1, Ms. Kiernan repeated the previous offer of modifying the Town loan to a 27 year maturity, effective January 1, 2014, and an interest rate of 1%. The CDBG loan would have a 27 year maturity, be effective January 1, 2014 and have an interest rate of 0%.

Ms. Kiernan then presented the Working Group’s final documentation request of four categories detailed in the draft May 13th letter, which were documentation requests made repeatedly since the first meeting of the Working Group in October. She stressed that non-compliance would result in the loan modification offering not being recommended to the full Board of Estimate and Taxation by the Working Group. Mr. Tony Johnson, in reference to the audit requirement, stated he had no problems with the audit requirements from the original agreements or if the Town would like to audit the Town Hall Annex Corporation. However, he stated HATG is trying to hold expenses down and offered that the Town would have to pay for any audit expenses. Ms. Kiernan questioned the amount of any additional audit expenses in light of the fact that HATG already audits these operations, evidenced by tax filings. Ms. Kiernan asked Mr. Tony Johnson if HATG would share the cost of audit services currently provided to the Town Hall Annex Corporation.
Mr. Marc Johnson asked about how long HATG was waiving Management Fees for the Parsonage Cottage. Mr. Tony Johnson said he didn't remember, but estimated that it was approximately four years.

Ms. Kiernan directed the attention of all to the ten covenants detailed on page four in the draft May 13th letter. She stated the Working Group recommends the continuance of these covenants contained in the 1995 Agreements and, in addition, the proper allocation of equity cash flows to fund the capital needs of Parsonage Cottage, as set forth in covenant number two. HATG officials, led by Mr. Yankowich, strongly objected to covenant number two as being too vague. There was an extended debate on the definition of future equity cash flows from Parsonage Cottage and how they should be handled. The debatable issues were concluded by everyone agreeing to a better definition of cash flows and a rewrite of covenant number two.

Mr. Yankowich also questioned the reasonableness of covenant number six, requiring “The Housing Authority will provide to the Town the same level of detail in respect of capital improvements to Parsonage Cottage that the town requires in connection with the annual CIP process”. Working Group members assured Mr. Yankowich this request was not onerous and that they would set a threshold on the size of the capital project to be reported likely similar to that required of other Town Departments.

Ms. Kiernan alerted HATG officials that there were three additional items that needed to be addressed as follows:

- The Town of Greenwich’s Risk Manager has reviewed insurance levels at Parsonage Cottage and determined that certain levels of insurance need to be increased and references to the original limited partners need to be omitted from current and future policies.

- The issue of Parsonage Cottage paying the sewer taxes is still outstanding and needs to be addressed. Ms. Tarkington explained this issue to HATG officials and answered questions about sewer taxes on entities with similar Town leases.

- Any modified loan documents need to continue indemnifications provided by HATG to the Town in the 1995 Agreements and reflect the recent reorganization of the Partnership.

Ms. Kiernan stated she was hopeful that everyone can come to mutual agreements on Alternative #1 and hopefully not exercise Alternative #2. The consensus of all in attendance was not to exercise the second option, Alternative #2: Eliminate the Partnership Structure and it was not discussed in any detail as listed in the draft May 13th letter.

3. Next Steps

The Working Group agreed that the next steps are to clean up the document, as discussed, and then send it to HATG and wait for their response. HATG also requested that the Working Group create a term sheet that outlines the terms of Alternative #1 and provide this to HATG.

There was general agreement that after HATG responds with acceptance to the Working Group requests and agreement on Alternative #1 (Loan Modifications), the matter will be forwarded to
the full BET with appropriate documentation. After BET approvals, the matter will be referred back to the Board of Selectman and ultimately to the Representative Town Meeting (RTM).

Upon a motion by Mr. Marc Johnson, seconded by Mr. Finger, the Working Group agreed to modify the draft May 13, 2014 letter, as discussed and send it to HATG. The motion carried 4 to 0 in favor.

4. Adjournment

Upon a motion by Mr. Finger, seconded by Mr. Marc Johnson, the Working Group voted 4 to 0 to adjourn the meeting at 4:16 P.M.

________________________________________________________________________
Peter Mynarski, Recording Secretary

________________________________________________________________________
Mary Lee Kiernan & Marc V. Johnson, Co-Chairs of the Working Group

SUBJECT TO APPROVAL
TOWN OF GREENWICH
BOARD OF ESTIMATE AND TAXATION
PARSONAGE COTTAGE WORKING GROUP

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Others: Peter Mynarski, Comptroller, George Yankowich, Housing Authority Chairman, Anthony Johnson, Housing Authority Executive Director, Princess Erfe, Community Development Administrator, Aamina Ahmad, Assistant Town Attorney, Louis P. Pittocco, Housing Authority Legal Representation, Peter Tesei, First Selectman

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Peter Mynarski, Recording Secretary

Mary Lee Kiernan & Marc V. Johnson,
Co-Chairs of the Working Group