

TOWN OF GREENWICH
BOARD OF ESTIMATE AND TAXATION
PARSONAGE COTTAGE WORKING GROUP
MINUTES – Town Hall Meeting Room, 1st Floor, Town Hall

Wednesday, November 06, 2013

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

Board: Michael Mason, BET Chairman; Jeff Ramer, BET

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

The meeting was called to order at 4:40 P.M.

1. Approval of October 8, 2013 Meeting Minutes

On a motion by Ms. Tarkington, seconded by Mr. Johnson, the Working Group voted 4 to 0 to approve the October 8, 2013 minutes, as amended.

2. Review Diligence and Document Requests

Ms. Kiernan reported that the Housing Authority had recently informed the Town that on October 18, 2013, the Housing Authority purchased the 99.9% limited partnership interests of the Parsonage Cottage Senior Residence L.P. (“Partnership”) for \$161,016 from Edison Capital.

Ms. Kiernan invited Ms. Ahmad to give the Working Group an update on the Law Department’s review of this sale and the documents received in connection with the original application for the Town of Greenwich to forgive the Parsonage Cottage CDBG Loan. Ms. Ahmad explained that what appeared to be a simple, straightforward request to forgive a loan was actually a very complicated package deal and required an extended effort on the part of the BET Working Group and the Law Department to reconstruct and reconcile the events that occurred years ago up to the present time. Ms. Ahmad stressed that the Working Group wanted to ensure a reasonable and appropriate due diligence effort is made in connection with this application, which has required a substantive number of requests for information and documents to Housing Authority officials. The goal of the Working Group is to create a complete and presentable package of materials for the BET and subsequently the Board of Selectman and the Representative Town Meeting (RTM) to review that will assist the Housing Authority in an effort to fund future capital improvements at Parsonage Cottage.

Ms. Ahmad explained that the recent sale of the interests of the limited partners in the Partnership to the Housing Authority presented concerns for the Working Group. Ms. Ahmad stated that this transaction was a “reorganization” under the Loan Agreements and constituted a technical default of the Town Loan and the CDBG Loan. Ms. Ahmad assured Housing Authority officials that although this technical default authorizes the

Town to call these loans, the Town does not want to take this action. Mr. Yankowich explained that while the tax filings and the Assignment of Limited Partnership Interest contract reflect a transfer in December, 2012, the sale was effective when the parties agreed to a price as determined by auditors, which occurred on October 18, 2013. Mr. Yankowich further acknowledged that Edison Capital's public filings should reflect that this sale took place in 2013 and not 2012.

At the request of the Working Group and in preparation for this meeting, Ms. Ahmad prepared a draft letter from the Working Group to the Housing Authority with 1) a final set of informational and document requests from the Working Group needed to complete the due diligence and 2) a recommendation that the BET offer to modify both the Town Loan and the CDBG Loan instead of forgiving the CDBG Loan. Ms. Ahmad provided the draft document to the Working Group prior to this meeting and it was edited by each member of the Working Group. This draft letter was distributed to the Housing Authority at the meeting and reviewed in detail with the Housing Authority.

The Working Group reviewed the various document requests that have not yet been answered by the Housing Authority, including: the current partnership agreement reflecting the Housing Authority and the Town Hall Annex Corporation as limited partner and general partner, respectively; exhibits to the prior Partnership Agreement with the Edison Capital limited partners, including the Management Agreement with the Housing Authority or any successor management agreement; the current audited financial statements for the Town Hall Annex Corporation required to be delivered under paragraph 6(b) of the Operating Agreement; and a confirmation that the recent reorganization does not impact the Certificate of Need for Parsonage Cottage, its license or its contract for State reimbursements.

During the discussion regarding document requests, Mr. Yankowich confirmed that the partnership vehicle would remain in place as the lessee and operator of Parsonage Cottage. Mr. Yankowich and Mr. Tony Johnson said that they no longer had the exhibits to the partnership agreement, including the management agreement. Mrs. Ahmad explained that a new management agreement would be needed. Mrs. Tarkington requested the title policy back to 1995. Mr. Finger reported that Parsonage Cottage had not been billed and had not paid sewer taxes, and that various tax issues still needed to be analyzed and resolved.

During a discussion about the audited financial statements of the general partner, the Town Hall Annex Corporation, Mr. Yankowich and Mr. Tony Johnson stated that HUD regulations require that the Housing Authority do a blended audit of the Housing Authority with the Town Hall Annex Corporation instead of a separate audit of the Town Hall Annex Corporation, which is a non-profit entity. Mr. Yankowich and Mr. Johnson further stated that HUD regulations required that in the future, the Partnership audit must also be blended into the Housing Authority's audit. Ms. Kiernan requested these HUD regulations. Mr. Tony Johnson stated that the Housing Authority does five audits in total. Mr. Tony Johnson also stated that the Town Hall Annex Corporation owns 19 scatter-site units and manages the Town Hall Annex building on Havemeyer, which is also leased from the Town.

Mr. Mason emphasized the importance of cooperation between the parties, particularly with respect to document requests. Mr. Mason further reminded the Housing Authority of the complicated nature of the approval process moving forward, and that the BET is

seeking to support Parsonage Cottage and the capital improvements needed for this facility.

Ms. Tarkington expressed concerns with the taxable nature of the Partnership, the audit blending other entities and the need for a tax attorney to review the contemplated transactions, particularly if the Town offers a zero interest loan modification or loan forgiveness.

Mr. Marc Johnson expressed concerns that the Housing Authority may take management fees before there is cash flow that might go to capital improvements.

The Working Group explained that they favored recommending a modification of both the Town Loan and the CDBG Loan such that the total annual debt service of the Partnership totaled no more than \$50,000 and provided that the Loan Modification documents contained standard covenants. These covenants were reviewed with the Housing Authority. Mr. Yankowich stated that he would speak to the board of Commissioners of the Housing Authority. There was consensus between the Working Group and the Housing Authority that the agreement of the Commissioners was needed before the BET could vote on this recommendation. The Working Group promised that a final draft of the letter would be delivered soon.

The discussions with Mr. Anthony Johnson and Mr. Yankowich concluded and they left the meeting at 6:08 PM.

3. Review Draft of Working Group Recommendations

At this point, the Working Group members methodically went through each of the edits to the draft document prepared by Ms. Ahmad in order to reach a consensus on a final edited version of the letter to be sent to the Housing Authority. Included in this document was the proposal to modify the Town Loan and the CDBG Loan as an alternative to the original request to forgive the CDBG Loan.

Mr. Mynarski noted that insurance levels on Parsonage Cottage were low and would need to be adjusted.

The Working Group agreed that following the delivery of such letter, the Working Group should monitor whether the Housing Authority responds to the remaining information and documentation requests and also, if the alternative to the original request for loan forgiveness was acceptable to the Housing Authority Commission.

4. Adjournment

The meeting adjourned at 6:40 P.M.

Peter Mynarski, Recording Secretary

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