

**MINUTES OF THE 307TH MEETING OF THE MEMBERS OF THE
HOUSING TRUST FUND CORPORATION
HELD ON JULY 9, 2014 AT 9:00 A.M.**

Locations: 641 Lexington Avenue, New York, NY 10022 and
38-40 State Street, Hampton Plaza, Albany, NY 12207
*locations connected by video-conference

MEMBERS PRESENT:

Darryl C. Towns, Chairman
Marian Zucker for William Mulrow, Member

OFFICERS PRESENT:

Gary Connor	Counsel
Sharon Devine	President, Office of Professional Services
Bret Garwood	Senior Vice President, Office of Finance and Development
Heather Spitzberg	SEQRA Officer
Eu Ting-Zambuto	Secretary

OTHERS PRESENT:

John Battle	Internal Control Officer and Audit Supervisor, HCR
Lisa Bova-Hiatt*	Counsel, Office of Storm Recovery, HCR
Michael DeMarco	Director of Internal Audit, HCR
Maralyne Fleischman	Assistant Director of Asset Management, HCR
Melvin Galloway	Director of Operations, Office of Storm Recovery, HCR
Jacqueline Hebert	Quality Assurance and Control Supervisor, Audit, HCR
Kevin Kelly	Chief Operating Officer, HCR
Dismas Locaria*	Partner, Venable LLP
James Rubin	Director, Office of Storm Recovery, HCR
Chanterelle Sung	Director of Monitoring and Compliance, Office of Storm Recovery, HCR

*Participation by Telephone

There was a quorum with two Members present. Ms. Zucker made a motion to call to order the 307th Meeting of the Members of the Housing Trust Fund Corporation (“HTFC”). The motion was seconded by Chairman Towns.

The first item on the HTFC agenda was the approval of the minutes of the 306th meeting held on June 26, 2014. This item was tabled.

The next item on the HTFC agenda was a resolution approving the procurement and contract guidelines for Community Development Block Grant Disaster Recovery

(“CDBG-DR”) Program procurements and contracts. Mr. Galloway presented that the Governor’s Office of Storm Recovery has gone through each activity to identify the areas where the current state rules do not conform to the federal requirements.

Ms. Zucker thanked Mr. Galloway and the storm recovery team for coming in to brief the Board on this item. She asked him to describe the changes and the magnitude of the changes.

Mr. Galloway stated that there are some big changes but stated that the focus of the changes is on four major areas including small business utilization, state contractor preferences, which are prohibited under federal law, cost-plus-percentage-of-cost contracts, and some other general terms.

Mr. Locaria presented the main distinctions between the existing procurement policy and the newly created procurement policy for CDBG-DR contracts. He stated that the procurement policy for CDBG-DR contracts addresses the federal prohibition of in-state contractor preferences and of the use of cost-plus-percentage-of-cost contracts. He highlighted several other distinctions, including that the federal government provides a \$150,000 threshold for small purchases and discussed the procedures for small purchases. Lastly, he stated that the procurement policy also memorializes the requirement that certain prescribed contract provisions be used in every HUD contract, including contract terms and conditions in connection with the Davis-Bacon Act, environmental act, Section 3 compliance, and other federal standards and requirements.

Ms. Zucker asked if HTFC had to amend contracts that were already executed to comply with the federal requirements.

Mr. Galloway responded that the HUD Inspector General is on the premises everyday along with HUD monitors about twice a year and HUD asks about these types of issues. He stated that back in August, there were two HUD findings, and one of those findings related to the fact that certain terms were not in our contracts. He stated that as a result thereof, sometime around November to January, HTFC went back out to the vendors to follow up on contracts to ensure compliance with the federal requirements.

Ms. Bova-Hiatt clarified that it was approximately January to February.

Ms. Zucker asked if HTFC Counsel has reviewed the procurement policy.

Mr. Connor responded that the Deputy Counsel, Mark Colon, was involved in this.

Ms. Ting-Zambuto added that Lisa Pagnozzi, the HCR procurement officer, was also involved.

Mr. Galloway stated that Ms. Pagnozzi has been a tremendous help in the process.

Chairman Towns asked if there has been a change in protocols distinguishing between the emergency nature of the protocols originally implemented and the protocols that HTFC now

uses in a normalized state.

Mr. Galloway stated that HTFC is in a normalized state, so the conversations with HUD are all retrospective for the period when there was an emergency. Since about February, HTFC has implemented and has been adhering to a revised procedure that is followed for all contracts which includes signing off on all approvals and ensuring that contracts get noticed to the Board and reviewed for financial sufficiency.

Chairman Towns asked if there are vulnerabilities regarding issues of compliance from HTFC's actions during the emergency state.

Mr. Galloway responded that there could be vulnerabilities. He stated, however, that these were being addressed. He stated that for example, the Office of Storm Recovery has been working with Venable to go through the record to document how and why ProSource was used as an emergency procurement.

Ms. Sung added that the HUD Inspector General has highlighted the area of procurements as a weakness and has requested backup documentation and justification for some contracts, and she stated that HTFC is in the process of providing that documentation with respect to the buyout programs. Further, she stated that the findings of the HUD Inspector General as well as the federal notice requirements of the CFR prompted HTFC to go through this process of establishing separate CDBG-DR procurement guidelines.

Ms. Ting-Zambuto stated that since there is a new procurement policy for CDBG-DR contracts being proposed, CDBG-DR contracts must be excluded from the existing policy. She stated that the last procurement policy was updated on June 26, 2014, and recommended that the policy be revised to exclude CDBG-DR contracts.

Mr. Rubin asked to confirm if the proposal is for HTFC to have two policies.

Ms. Ting-Zambuto confirmed that the proposal is for the two policies to exist side by side and indicated that this proposal is pursuant to discussions with the procurement officer and the Governor's Office of Storm Recovery.

Chairman Towns moved to adopt the resolution; Ms. Zucker seconded the motion, and the following resolution was adopted:

Section 1. The Members hereby approve the Procurement and Contract Guidelines for the Governor's Office of Storm Recovery of HTFC for Contracts Funded by the CDBG-DR Program.

Section 2. The Members hereby approve an amendment to the Procurement and Contract Guidelines approved on June 26, 2014 to exclude contracts funded by the CDBG-DR Program.

Section 3. The Members hereby authorize the HTFC Procurement Officer or another officer or authorized agent of HTFC, subject to the provisions of this resolution, to execute any documents which may be necessary and appropriate to effectuate the purposes of this resolution.

Section 4. This resolution shall take effect immediately.

Mr. Rubin announced that Seth Diamond is resigning. He offered to answer any questions regarding the transition.

Ms. Zucker asked about their program areas of responsibility.

Mr. Rubin responded that he and Mr. Diamond share many responsibilities over the programs and operations. He stated that the change in the organizational structure will only effect one of the deputies, who will report to him rather than Mr. Diamond. Further, he stated that Mr. Diamond will not be replaced.

Ms. Ting-Zambuto added that staff will be seeking approval by the Board to move Mr. Diamond's current designee under Mr. Rubin, as Mr. Diamond's role is being removed and his designee's function is still necessary.

Chairman Towns indicated that the Board is also discussing some changes to the structure of the entity, but the changes discussed will not affect the operation of the Governor's Office of Storm Recovery.

The next item on the HTFC agenda was a resolution approving a contract with Wolters Kluwer Financial Services for TeamMate audit management licenses and support services. Ms. Hebert presented this item and stated that HTFC has a contract with Wolters Kluwer to provide support to the internal audit department. She stated that the vendor was procured by the Office of State Comptroller and stated that HTFC is using the rate secured through the Office of State Comptroller procurement for a 3-year agreement.

Chairman Towns asked about the scope of services being provided.

Ms. Hebert responded that Wolters Kluwer will be providing an audit management solution that will assist the audit department by enabling it to perform more audits in a more streamline fashion and to become more organized.

Ms. Zucker asked if this is a contract for software.

Ms. Hebert and Mr. Kelly responded affirmatively.

Mr. Kelly stated that the audit department needs this software and stated that the department has been using Microsoft Office and regular tools in their current process. This

software is standard and widely used to conduct audits.

Ms. Hebert added that the software is being used in well over a dozen state agencies.

Chairman Towns moved to adopt the resolution; Ms. Zucker seconded the motion, and the following resolution was adopted:

Section 1. The Members hereby approve the contractual agreement with Wolters Kluwer Financial Services for the provision of TeamMate licenses and support services for a three year period and in an amount not to exceed \$30,255.

Section 2. The Members hereby authorize the President of the Office of Professional Services or another Officer of HTFC, subject to the provisions of this resolution, to execute any documents which may be necessary and appropriate to effectuate the purposes of this resolution.

Section 3. This resolution shall take effect immediately.

The next item on the HTFC agenda was a resolution authorizing an award under the Rural and Urban Community Investment Fund (“CIF”) Program for ArtsBridge Senior Housing Community Service Facility. Mr. Garwood presented that the award recommended is for \$750,000 under the CIF Program for ArtsBridge Senior Housing to build a community service facility, a project which will also go before the Housing Finance Agency board. He stated that this project also leverages funding from the Housing Finance Agency and from the City of New York HPD HOME Investment Partnership Funds, City of New York Reso A Funds and HUD Section 202 Capital Funds.

Ms. Zucker indicated her excitement about the project. Mr. Garwood echoed the sentiment.

Chairman Towns asked if this is the first of the urban awards. Mr. Garwood responded that it is the first urban award in New York City.

Ms. Zucker observed that the lease is for \$100 per year.

Chairman Towns moved to adopt the resolution; Ms. Zucker seconded the motion, and the following resolution was adopted:

Section 1. The Members hereby authorize an award under the CIF Program of up to \$750,000 for the ArtsBridge Senior Housing Community Service Facility Project.

Section 2. The Members hereby provide that this authorization will lapse 360 days after the effective date of this resolution if a closing on

all sources of construction financing sufficient to complete the project has not occurred.

Section 3. The Members hereby authorize the entering into of regulatory agreements with the applicants, upon their satisfactory compliance with any pre-contract conditions as required by statute or regulations and upon such terms and conditions as set forth by CIF Program guidelines.

Section 4. The Members hereby authorize the President of the Office of Finance and Development or another officer or authorized agent of HTFC to execute any documents which may be necessary and appropriate to effectuate the purposes of this resolution.

Section 5. This resolution shall take effect immediately.

The next item on the HTFC agenda was a resolution authorizing an award under the Homes for Working Families (“HWF”) Program for 188 Warburton Avenue Apartments. Mr. Garwood presented that this is an award recommendation for up to \$2,000,000 under the HWF Program for 188 Warburton Avenue Apartments, a project which will also be going before the Housing Finance Agency board for financing assistance. He stated that this is the construction of 51 units of housing, with all units serving households with incomes at or below 60% of the area median income and with a large portion of those units serving households earning less than 50% and less than 30% of the area median income. He stated that this project is a part of a larger redevelopment project in Yonkers which includes the new construction of the P.S. 6 Apartments and the Warburton Dorado and among other community development and revitalization projects.

Chairman Towns moved to adopt the resolution; Ms. Zucker seconded the motion, and the following resolution was adopted:

Section 1. The Members hereby authorize an award of up to \$2,000,000 under the Homes for Working Families Program for 188 Warburton Avenue Apartments and the entering into of regulatory agreements for 188 Warburton Avenue Apartments, upon such other terms and conditions as set forth under program guidelines.

Section 2. The Members hereby authorize the President of the Office of Finance and Development or another officer or authorized agent, subject to the provisions of this resolution, to execute any documents which may be necessary and appropriate to effectuate the purposes of this resolution.

Section 3. This resolution shall take effect immediately.

The next item on the HTFC agenda was a resolution authoring the use of funds to preserve a project imperiled by disaster or other circumstances beyond the project's ability to remedy. Ms. Fleischman presented that, in accordance with the HTFC's policy on imperiled projects, asset management has processed a payment totaling \$3,518.01 to pay essential costs incurred in conjunction with the continued operation of Lake Country Housing Corporation which was presented to the Members on June 26, 2014. HTFC's policy for imperiled projects establishes the guidelines by which emergency funds can be sought from HTFC. The guidelines require that emergency requests in excess of \$20,000 be approved by the Board.

She presented that Lake Country Housing Corporation is a three-unit rental in Warren County. After the property was abandoned by the owner, the Asset Management Office found a managing agent, Home Front Development Corporation, to take over the property in 2009. She stated that the operating income was insufficient to meet operating expenses, and accordingly, HTFC expended \$3,518.01 to pay essential costs incurred in conjunction with the continued operation of the project. She requested approval of the \$3,518.01 incurred previously and up to \$16,481.99 for future expenses.

Chairman Towns moved to adopt the resolution; Ms. Zucker seconded the motion, and the following resolution was adopted:

Section 1. The Members hereby approve an additional award of up to \$16,481.99, totaling \$20,000, of HTFC emergency funds to pay for future expenses under the Policy for the Use of Funds to Preserve HTFC Assisted Projects Imperiled by Disaster or Other Circumstances beyond the Project's Ability to Remedy for the Lake Country Housing Corporation.

Section 2. The Members hereby authorize the President of the Office of Housing Preservation or another officer of HTFC to execute any documents which may be necessary and appropriate to effectuate the purposes of this resolution.

Section 3. This resolution shall take effect immediately.

The next item was a resolution confirming the approval of the annual operations and accomplishments report. Ms. Ting-Zambuto stated that by written approval on June 30, 2014, the Members approved the report on operations and accomplishments. This resolution is to confirm the resolution approved in writing to maintain its effectiveness.

There was no request for an additional presentation on this item.

Chairman Towns moved to adopt the resolution; Ms. Zucker seconded the motion, and the following resolution was adopted:

Section 1. The Members hereby confirm the resolution passed in writing on June 30, 2014 approving the Operations and Accomplishments Report and authorizing the same to be submitted and published in accordance with the Public Authorities Reform Act of 2009 and any reporting requirements.

Section 2. This resolution shall take effect immediately.

The remaining items were informational items and no action was required by the Members.

The first informational item on the HTFC agenda was a review of SEQRA Type II Actions.

The next informational item on the HTFC agenda was the review of the internal audit plan. Mr. DeMarco presented the 2014-2015 audit plan. He noted that the plan covers both HTFC and the New York State Division of Housing and Community Renewal (“DHCR”). He stated that the plan identifies ten planned activities, and a number of these are already in progress.

Ms. Zucker asked how the items are decided upon and prioritized. She asked if a risk analysis is performed.

Mr. DeMarco responded that the planned activities are decided upon and prioritized based on a combination of risk analysis, partly from the results of the testing of the internal control officer, and other factors, including requests from program managers, results of audits by the Office of the State Comptroller (“OSC”) and his judgment, and he provided examples of the same.

Ms. Zucker asked if he had a schedule of commencement or completion attached to each of the proposed audits.

Mr. DeMarco stated that a few of the planned activities have been started. He stated that the largest item that has been taking up the office’s time over the past year is the item on the Section 8 Remittance Review. He stated that this item is nearing completion and will be coordinated with the legal office and the Office of the Inspector General. The other items will be commenced as soon as staff is available. He stated that the office has two recent vacancies and is in the process of developing a staffing plan and recruiting more staff.

Mr. Connor added that OSC has been very involved with HTFC and DHCR and is making consecutive audit demands, which have presented some difficulties and have consumed the internal audit office. He stated that the demands are not isolated to HTFC and DHCR, but rather, across a number of State agencies. Further, he stated that the matter of Agnes B. has

prompted a massive review and audit of Section 8 and the local administrators, and these events collided, further consuming the office's resources. For this reason, he expressed his understanding that the audit plan may not be as clear as the one sought by the Members.

Ms. Zucker indicated that the context was helpful.

Next, Mr. Battle provided an overview of the Office of Internal Control. He presented an overview of the internal control review process. He stated that the DOB bulletin requires the agencies to submit a certification to DOB annually which assesses the agencies' level of compliance with the Internal Control Act. Further, the certification sets forth the four step process for reviewing internal controls. The process includes identifying program area functions, conducting risk assessments, reviewing existing controls, and preparing corrective action plans. He stated that the certification also includes guidelines for internal control systems providing for how these internal controls are communicated, the designation of internal control officer, the training methods used, and also the audit plan activities. He described the annual internal review process utilized by the office and discussed the circulation and analysis of the risk assessment surveys to program areas, and he described the circulation and submission of internal control review forms to managers and the corresponding testing and reporting of controls. He stated that based on the most recent certification, this information has been gathered on ten program areas and approximately 24 functions.

He discussed how the complied information is used to identify issues, improve controls, and ensure that corrective actions be taken. Further, he stated that the office of internal control has discussed cash management functions with program management and it has worked to streamline revenue processes by moving payments and revenues to lockbox operations and PO Boxes which reduces the risk of have employees or external entities tamper with the cash. He reported that lockbox operations or PO Boxes have been set up for tenant repayments in the Section 8 Housing Choice Voucher program and for low-income housing credit application fees, and that improvements are in the process and pending for tax credit monitoring fees.

Ms. Zucker commented that points should be placed against applicants that do not pay fees properly at the time of their application.

Mr. Battle indicated that they have met with program managers in this area. He continued and reported some new items in the 2014-2015 internal control plan, including two OSC directives for the review of controls over secure access to SFS and the assessment of controls over the accounts payable process and also a review of purchasing and receiving processes of goods with the support services areas and a review of the revenue tracking system updates. Lastly, he discussed their process on external audits and following-up on outstanding recommendations. He stated that there is a process for follow-up on OSC, financial and single audit findings and recommendations and look to see if there are areas of internal control weaknesses and a process to assist program areas in developing their corrective action plans to implement plans and satisfy recommendations.

Ms. Zucker commented that the overview was very comprehensive.

Ms. Ting-Zambuto stated that there was one new item of business, a notice to the Board of an administrative correction to a region assignment in list of engineering/architectural services consultants. She stated that at the last board meeting, a panel of consultants for architectural and engineering services was approved, but one of the consultants was listed for an incorrect region. Janet Mellor's region assignments are the Capital District and New York regions. The minutes would be changed accordingly.

Further, she stated that the Office of Finance and Development submitted a quarterly report on the status of multifamily projects which was not included in the board package. She apologized to those involved in producing the report for the oversight.

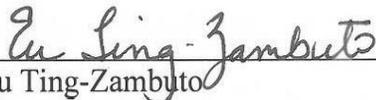
Ms. Zucker commented that she was in receipt of the quarterly report.

Ms. Ting-Zambuto indicated that the quarterly report previously included is distinct from the newly submitted report from the Office of Finance and Development.

Mr. Garwood stated that the Office of Finance and Development would resubmit the report at the next meeting.

There being no unfinished business, Chairman Towns moved to adjourn the meeting; Ms. Zucker seconded the motion, and the meeting was adjourned.

Dated: July 9, 2014


Eu Ting-Zambuto