

**Portsmouth Housing Authority
Town of Portsmouth, Rhode Island**



Annual Report for 2021

January 25, 2022

Submitted By:

Board of Commissioners

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Submitted to:

Town of Portsmouth

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In Accordance With

State of Rhode Island

General Laws § 45-25-31

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Executive Summary

2021 was the first full year of service for the newly reconstituted PHA Board of Commissioners. We met four times in 2021:

1. January 25
2. March 3
3. June 9
4. December 8

Agendas and minutes from these meetings can be found on the RI Secretary of State and Town of Portsmouth websites.

The year 2021 started off with a jolt... Coastal Housing Corporation, which had just been relieved of duty as management agent by Phoenix Property Management, Inc. on December 31, 2020, received a "*Pre-penalty Notice for Civil Money Penalty*" from HUD's Departmental Enforcement Center for failing to submit required annual audited financial statements for fiscal years ending 12/31/2017, 12/31/2018, and 12/31/2019, in violation of HUD regulations governing this project. HUD's enforcement notice, dated January 6, 2021, stated Coastal Housing Corp had never submitted the required annual audits from inception of the Quaker Manor LLC in October of 2017, and are liable for a fine of more than \$49,000 for each violation.

HUD offered an opportunity to respond to the notice of violation, which the PHA provided on March 4, 2021. The ensuing dialogue between HUD Enforcement and the PHA resulted in a suspension of the enforcement activity with the understanding we would ensure timely submission of missing reports, both monthly revenue reports and annual audits. To summarize, we provided the required monthly reports, thanks to quick action by Phoenix Property Management, and submitted the 2017-18 audit report this past summer. We continue to work on the audits for 2019 and 2020.

Once this financial reporting issue was brought under control, the PHA spent the remainder of 2021 focusing on the following issues:

- Transition to new management agent Phoenix Property Management.
- Understanding the completion status of Quaker Manor renovations and physical improvements.
- Assessment of the material condition of the Quaker Manor/Quaker Estates properties
- Review of the 2017-18 audit report, and monitoring progress on outstanding audits.
- Reviewing/resolving residents' concerns/complaints.
- Assessing status of the vacancy waiting list, and actions to fill empty apartments.

The issues outlined here are discussed in detail in the report body.

1. PHA Membership Status/Organizational Changes in 2021

The PHA began 2021 with a full board of Commissioners, five as required under §45-25-10. However, the Town of Portsmouth received written notification from board member Micholas Credle on April 22, 2021 that he was resigning immediately for health reasons and moving out of state. The fifth Board seat remained unfilled as we close 2021.

Allison Serina, Quaker Manor/Estates on-site property manager resigned from Phoenix Property Management in October 2021. Those duties were assumed by Erica Kelly of Phoenix Property Management.

2. Summary of Meetings Held in 2021

The PHA Board of Commissioners met four times in 2021. A summary of each meeting is provided below. These meetings we held in person and/or via Zoom:

- **January 25, 2021:**
 - Received HUD letter of 1/6/2021 – Pre-penalty Notice for Quaker Manor LLC.
 - Recognized Phoenix Property Management as new property manager beginning January 1, 2021 (replacing Coastal Housing Corporation).
 - Phoenix will focus on improving resident relations and communications.
 - Financial condition of Quaker Manor LLC is an ongoing concern.
 - Status of Quaker Manor renovations/construction contract.
 - Status of vacancies and waiting list openings. Phoenix indicated they are actively managing the waiting lists, in accordance with HUD regulation.
 - Approved PHA 2020 Annual Report for submission to Town of Portsmouth.
- **March 3, 2021:** This meeting focused on approval of the PHA response to HUD’s January 6, 2021 pre-penalty notice letter.
 - Took a call-in comment from one resident of Quaker Manor expressing continuing concerns on progress and pace of improvements by the new property manager. These concerns were forwarded to Phoenix Property Management.
 - Conducted an executive session pursuant to RIGL §42-46-5(a) to discuss HUD pre-penalty notice. One vote taken to authorize the PHA Chair to provide written response to HUD... with unanimous approval.
- **June 9, 2021:** This meeting focused on oversight of financial reporting to HUD, and review/approval of the first Quaker Manor LLC annual audit report for 2017-18, its first year of operations under the new organizational structure and RAD project.
 - Took status on HUD required monthly financial reporting (Cash Flow reports) submitted by Phoenix Property Management. All overdue reports from Coastal Housing have been completed and submitted to HUD. Phoenix has submitted all 2021 monthly reports on time through April.

- The Commission reviewed the Quaker Manor LLC draft audit report for the year 2017-18, found it to be satisfactory, and approved it as a final unanimously. A second motion authorized the Chair to sign it and authorize the auditor, PPA Accounting LLP to submit the report to HUD... approved unanimously.
 - There was further discussion between PHA and our audit firm PPA Accounting on status and plans for the remaining 2019 and 2020 audit reports still due to HUD.
 - There were no comments or questions from the public attendees.
- **December 8, 2021:** Focus of this meeting was planned to be discussions with Phoenix leadership and the remaining Coastal Housing Corp board members regarding future plans for Coastal, and long-term management direction of the Quaker Manor/Estates properties.

Significant time was also spent discussing a number of complaints and concerns from several (6) residents who attended this meeting in person. The issues raised were summarized in the meeting minutes and will be reviewed with Phoenix Property Management in January. Responses will be addressed at the next scheduled PHA meeting.

- Discussed plans to follow up with PPA Accounting on progress for 2019 and 2020 audit reports for Quaker Manor LLC.
- Several residents of Quaker Manor/Estates attended the meeting and voiced a number of concerns/complaints. These were summarized in the meeting minutes, forwarded to Phoenix Property Mgmt, and will be addressed at the next PHA meeting.
- PHA Commissioners, Portsmouth Town officials, and Phoenix Properties leadership went into executive session under RIGL§42-46-5(a) (5) for discussion of potential turnover/acquisition of PHA and/or Coastal Housing Corp assets, and remaining holdings related to Quaker Manor LLC and Quaker Estates 1-4. Only one vote was taken during executive session... to seal the minutes.

Additional detail on these meetings can be found in our full meeting minutes which are available on the SecState and Town of Portsmouth websites.

We have scheduled our first meeting in 2022 for January 25th, at 4:00pm.

The PHA Board is grateful for the support of the Portsmouth Town Clerk, and appreciates the help provided in using the Town's Zoom link, and hosting PHA public documents on www.portsmouthri.com.

3. Update on Significant Issues Identified in the 2020 Report

To follow up from the baseline situation the new Board of Commissioners found in December of 2020, this report provides updated status on the six issues identified last year, and adds new issues which arose in 2021. Some of these major issues have been resolved, some issues still remain. Progress has been made since Phoenix Property Mgmt took over as management agent

in January of 2021. Here is the end-of-year status/changes from the list of issues the PHA included in last year's 2020 report:

1. Material condition of the properties is poor, and deteriorating. There has been little financial reporting by Coastal Housing managers, and the status of the contract repairs/upgrades funded by the commercial loan, is unknown.

2021 Update: Material condition of the properties is still an issue. But some progress has been made. The contract renovation work for Quaker Manor has been completed. There are still quality issues to resolve, but Phoenix has completed their assessment and found the property to be viable. More work is required.

Regular and timely financial reporting has been established by Phoenix. All outstanding pre-2021 cash flow reports have been submitted to HUD and we are regularly submitting monthly reports in 2021. We have submitted one of the three outstanding annual audits, for 2017-18, to HUD. We have 2019 and 2020 to complete... those are still in process with PPA Accounting and expected to be completed/submitted to HUD in 2022. The COVID pandemic has had significant negative impact on our auditor, delaying completion of these reports.

2. HUD concerns with Coastal Housing Corp. management non-compliance with federal regulations.

2021 Update: Non-compliances have been addressed by Phoenix. They took formal management responsibility for the properties on January 1, 2021 and worked collaboratively with HUD and the PHA to resolve any outstanding issues. The major non-compliance still existing are Coastal Housing's missing annual audit reports for 2019 and 2020... still in work.

3. Financial condition and viability of Quaker Manor LLC is a concern since transitioning to HUD's RAD program and taking on significant long term debt obligations. A financial audit is underway, being conducted by Phoenix Properties, and we expect to receive a complete financial briefing in due course. *We are concerned there are cash flow issues which will be challenging to resolve.*

2021 Update: Phoenix facilitated completion of the initial annual audit for Quaker Manor LLC, which was a significant effort to pull together. That was submitted to HUD in July 2021. They also created and submitted overdue monthly cash flow reports, and have maintained timely submission of 2021 reports. Their action resulted in HUD Enforcement suspending their "pre-penalty notice" which entailed almost \$150,000 in fines for missing financial reports.

Importantly, Phoenix has completed their assessment of the financial and material condition of the Quaker Manor/Estates properties. Their initial conclusion is that the properties remain viable for investment and continued use into the future.

4. Coastal Housing management non-responsiveness... action has been taken to resolve this issue with a replacement management agent approved by HUD - Phoenix Property Mgmt. This happens on January 1, 2021.

2021 Update: Phoenix Property Mgmt took formal management responsibility on January 1, 2021 and immediately began addressing the issues that have arisen since 2017. Coastal Housing Corp. has essentially ceased any business operations since the end of 2020, and the remaining Coastal board members have been working to dissolve the company, settle remaining obligations, and transfer any remaining assets to Phoenix Management. As of December 31, 2021 this activity is still in progress.

5. Resident concerns and growing frustrations with living circumstances.

2021 Update: Phoenix Property Mgmt has been working closely with the PHA to resolve outstanding complaints from the residents. This is a long-term effort as some concerns are long standing issues which date back to 2017 and earlier.

Phoenix has attended the PHA Board public meetings to hear first-hand the issues seen by the PHA Commissioners and the residents' concerns. Progress has been slow in resolving some of these issues.

Phoenix, at the urging of the PHA, has spent much time in this first year of their tenure resolving pressing HUD issues, assessing the financial condition of the operation, and inspecting the material condition of the properties as the Quaker Manor LLC renovations came to completion in 2021.

This work continues into 2022, but with the focus shifting more to resolution of issues and complaints like those raised at the December 8, 2021 meeting.

6. Over the past 30 years the individual organizational identities between PHA, the management agents/companies, and overlapping duties of the executive director led to ill-defined and muddled oversight by the PHA... leading to much confusion on who's in charge, by what authority, and with what responsibility for management outcomes and issues.

2021 Update: The PHA has made some progress with this set of issues. We are meeting regularly, working cooperatively with the management agent, and developing better understanding of issues requiring further and ongoing focus. With the exception of the loss of Commissioner Micholas Credle last year, Board membership has been stable, with good attendance at meetings.

The PHA has thoroughly researched the pre-existing management actions and organizational changes. As a result, we have re-established the PHA as an independent oversight body as defined under RI law, we understand the ownership interest created by the establishment of Quaker Manor, LLC, and we have formed a cooperative and “arms-length” relationship with the new management agent.

One important organizational distinction with the PHA as it exists today is the elimination of an “executive director” acting for the Board of Commissioners. The PHA Board interacts directly with the management agent via public meetings to exercise its due diligence and oversight of Quaker Manor/Quaker Estates operations.

Details related to this overall organizational issue were included in our first annual Report to the Town (2020).

4. Update on the Goals and Objectives we set for 2021

Initially, the PHA goals must focus on resolving the immediate issues identified in the previous section while ensuring the safety, comfort and wellbeing of the residents of Quaker Manor and Quaker Estates. That said, our highest priority objective is to help ensure the successful transition and operations of the new management agent, Phoenix Property Management. Obviously, it will be their expertise and actions that will lead to problem resolution and a quick return to smooth operations, satisfied residents, and long-term financial stability.

Over a year ago Coastal was required by HUD to find a suitable replacement management agent. This came as one of the “cure” conditions included in a “Notice of Violation” issued by HUD for non-compliance with financial reporting requirements. Coastal identified Phoenix as a potential replacement and this past December HUD issued formal approval for them to take over both Quaker Manor and Quaker Estates as of January 1, 2021. Phoenix has been reviewing the Quaker Manor/Estates situation for several weeks, and have begun a unit-by-unit physical inspection of the properties. That is ongoing as of this writing.

As reported in Section 3, the President of Phoenix, Michael Packard, joined the PHA at our December Board meeting and briefed us on his initial impressions, his company’s background and experience in public housing (which is extensive), and potential plans for the future of Quaker Manor specifically. He specifically mentioned the management emphasis he puts on resident satisfaction and good relations. We look forward to working with Phoenix, and will do everything

possible to facilitate their success as the new manager. Right now that is our best path toward resolution of the issues confronting us.

2021 Update: This broad goal has been substantially achieved in 2021. First, the successful transition of management responsibility was accomplished. Phoenix Properties Management started on January 1, 2021 as planned. They immediately acted to resolve pressing HUD reporting requirements, they began their due diligence in assessing the condition of the properties and worked closely with the new PHA Board which was also in the process of understanding overall status of the property, well-being of the residents, and the relationship with HUD.

Other goals included in the 2020 annual report:

- Offer a consistent public forum for residents and other concerned citizens to voice their issues

2021 Update: We believe we have accomplished this, and acknowledge that it is still a work in progress. There are still resident complaints to resolve, and some of them are taking too long. However, there is an opportunity at every meeting to raise issues, and we as a Board are committed to answering them. The management agent has fully supported this effort, and will continue to do so as we move into 2022.

- Establish a more transparent and proactive working relationship with the Town of Portsmouth

2021 Update: We believe we have accomplished goal this as well. We have established a close working relationship with town officials. Of special note is the outstanding support we have received from the outset by the Town Clerk and Town Administrator. They have allowed us unfettered use of Town Hall and town IT infrastructure to support our meetings. This has been especially important in allowing the PHA to conduct meetings and execute our duties in spite of, and throughout the pandemic.

The Town Clerk and staff has provided the necessary resources to assist the PHA in compliance with open meeting act requirements for our activities. They have provided the meeting space, Zoom connectivity, and public posting of our agendas and minutes to allow easier access to all PHA activities.

The Town Administrator has provided access to any resource we've requested. This was immensely helpful in researching the history, tax records, and early efforts of Coastal Housing Corporation during their tenure as management agent for Quaker Manor/Estates.

The PHA Board of Commissioners offers our heartfelt thanks to the Town for assisting us during the first challenging year of "resetting" these important housing assets to a firm footing and a viable outlook for future operations.