



HOUSTON
HOUSING AUTHORITY

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**MINUTES OF THE HOUSTON HOUSING AUTHORITY
BOARD OF COMMISSIONERS MEETING**

TUESDAY, DECEMBER 17, 2024

I. CALL TO ORDER

A Meeting of the Board of Commissioners (“Board”) of the Houston Housing Authority (“HHA”) was held on Tuesday, December 17, 2024, at the Houston Housing Authority Central Office, 2640 Fountain View Drive, Houston, Texas 77057. Called the meeting to order at 3:00 p.m.

II. ROLL CALL

Present:

- Joseph “Jody” Proler, Chairman
- Alton Smith, Vice Chairman
- Cynthia Aceves-Lewis, Commissioner
- Stephanie A.G. Ballard, Commissioner
- Eric G. Carter, Commissioner
- Kristy Kirkendoll
- Kenneth C. Li, Commissioner
- Jennine Hovell-Cox., Secretary

ABSENCES: None

III. APPROVAL OF THE MINUTES

Board Meeting Minutes: **November 18, 2024**

Board Meeting Minutes: **November 25, 2024**

Chairman Proler asked to vote in seriatim.

On motion by Commissioner Li and seconded by Commissioner Smith.

Chairman Proler called for a motion to approve the November 18, 2024, and November 25, 2024.

On motion by Commissioner Li and seconded by Commissioner Smith.

Minutes were passed unanimously.

IV. INTRODUCTION OF THE INTERPRETERS

Chairman Proler offered to provide interpreters to Spanish, Mandarin, and Vietnamese speakers who may need assistance for public comments only.

V. PUBLIC COMMENTS

Calvin Kelvin: I'm glad that I'm able to speak to you today. I've been coming here since last year and attempting to speak and I was blocked for whatever reason. As you said we are going through a trying time. These are the holidays but I want to stay positive. I don't believe in making countless attacks, and one's integrity behind their backs, so I prefer to speak to a person's face. I believe that the mayor has finally gotten the right. I am the person who whistle-blew and brought all the comments and kept coming here and talking about Mr. Northern and Mr. Barnes and other people and kickbacks and other things that have and have recordings of the videos, and no one wanted to hear, but I think somebody found me, heard me, and maybe they too secretly moved and did something so that we could get something going. Section 55.1704 of the Texas Government Code allows me to speak, but in the past, I was shut down by your current Interim President and CEO, Ms. Hovell-Cox. Ms. Hovell-Cox, at every point, has tried to stop me and cut me off from actually getting my message out and telling the truth about what Mr. Northern was doing and how he was running this place as if it were the Chicago mob. I actually was given the contract verbally by Mr. Marquis Barnes, whose daughter also works here and who also was brought in by Mr. Northern from Chicago, and introduced me to a gentleman, I'm sure you've seen on the news, who owned the fashion clothing line and I thought was in construction. He put his business in my name and said that I gave him permission to do it. All of this has been investigated. I have personally turned this in to the feds because Mr. Northern tried to get me to become a contractor, trying to give me to give him kickbacks that I refused to do. On September 18 I sent an email to Austin Cross, the procurement manager, and e-mail informing him that there was a problem with the egress and that people would not be able to go and come and that all work needed to be stopped. I also informed Mr. Crotts and told him I didn't want this to become a thing, but I was whistle-blowing to him about the fact that he was providing material; there were three times less the cost of what they were supposed to be. They weren't providing what they were supposed to be liable for their contractors, for the cost of their kickbacks going on that Mr. Marquis has told me about. I have my phone records with me, the number of times Mr. Barnes and Mr. Northern and I talked. I'm not hiding anything. Mr. Alton Jones, who's one of my friends, once told me that the truth doesn't have a lot of stuff but a lie does. So I know it's a little long-winded, but again, if we go back to my proposal, in my e-mail from September 18th, you will see the proposal that I submitted to talk about the egress. This is the very same proposal that Mr. Northern put in place, and they used it as their scheme. I will yield and I thank you for your time.

Verdell Ingram: Thank you all for the opportunity, but Ms. Thomas is taking care of my issues.

VI. PUBLIC HEARING FOR DEVELOPMENT OF ARIZA PARK ROW

The hearing opened at 3:09 pm and closed with no comments.

VII. REPORTS

a. Information Technology, presented by Roy Spivey, Director of I.T.

I wanted to give an update on Resolution 3832, the purchase of network security hardware, and software. After the resolution was passed, we continued to negotiate with our vendors, and we were able to reduce the price of the firewalls, hardware, software, and services by \$16,000.

We have completed the implementation of the 4-gate firewall, and it's now in production. We have started the implementation of the 48 EVR, which replaces our current antivirus and endpoint, and we will have this completed by the end of the year. We've also started implementation on calcium ransomware protection. This was installed on 10 test computers, and it has been functioning satisfactorily. Will also have this completed by the end of the year. Along with the initiatives in resolution 3832, we will complete the

implementation of Desktop 2-factor authentication by the end of the year. We are continuing to research additional 24/7 network monitoring to alert us of any security issues immediately and other services that can provide penetration testing both internally and externally. We should have these solutions selected and vetted out by the first quarter of 2025. This will greatly enhance our security platform and help us from any further network security breaches. Questions or comments?

Commissioner Smith. I'm excited, and I hope I'm not speaking out of order. I don't understand that process, but I am impressed with your proactiveness. I'm going to encourage you to maintain the momentum in what you're doing.

Chairman, I'll echo Commissioner Smith's comments. I also appreciate the hard work that you and your team have put in. They are a really fine team.

b. Berman Hopkins Auditor Report

My name is Lauren and I am a partner with Berman Hopkins. We are the auditors for the Houston Housing Authority. Sean Cedar is a director of our company as well and he has also been working with the agency for the last few years' worth of audits.

We have prepared a presentation here to give you a synopsis of our process, a little bit of a timeline, insight into our audits, where we're at and some recommendations and plans for the future. We're happy to answer any questions and go over anything in more detail that you all might want to talk about.

So, here are some overviews that we'll be going over. One thing I wanted to address is that there are a lot of regulations involved in the audit. There are many regulations that the agency has to comply with, and there are many regulations that your auditors have to be in compliance with. The audit that we do covers not only your financial information but also passive controls and compliance with your major programs.

We have been working with the agency since the 2020 audit, getting it caught up to where we're at right now with the 2023 audit. We'll be going over our opinions and the reports that we're issuing as part of the 2023 audit as well as other mentioned some recommendations and some plans for the future.

So this is just a visual representation to understand the layers of regulation that the agency is subject to. Generally accepted accounting principles, that is for any entity because of the type of funding that you are and the type of organization that you are; you also have governmental accounting standards that is the method that defines your financial reporting. We as auditors, have auditing standards, but again, because of the type of organization that you are, we are actually subject to government auditing standards, which is some additional level of testing. Because you receive over \$750,000 of federal awards, you're subject to the uniform guidance. That's where we have to test your compliance and your controls over the major programs and then because that funding is coming from the Department of Housing, they also have their own guidelines and regulations that they want your reporting and their audit to be in compliance with.

As part of Our audit, we issue 3 reports. The first report is a basic audit standard report. This is the report that you would see in any type of entity. As I mentioned, there is a government auditing standard report that speaks to some other items, taxpayer dollars, waste and abuse, reasonable and necessary expenditures. And then there's a third report that is our uniform guidance report that speaks to your compliance with those major federal programs. Sean's going to go over the timeline just so you can understand how we got to where we are today.

Berman. We were brought on in January of 2023 for the audit of December 31st, 2020. We started our procedures in February 2023, and we got off to a little bit of a slow start because, typically, with an audit,

the first year you're able to view prior auditor work papers but they denied us that access so we needed the beginning auditing balances as well. If you look at the top, you can see that the 2019 audit was issued in September of 2022. So almost full three years after the fiscal year end. The 2020 was issued in October of 2023. It took us 8 months, 9 days from start to finish with that audit. A typical Housing Authority audit lasts about seven months. Your trial balance is due in February and is due to HUD in September 30th for December year-end.

For 2021, we started the audit in March of 2024 and were able to complete that in 4 months. So down for 8 months for the 2020 audit for 4 months and 25 days. For 2022, about the same time frame, just under 5 months. There were some complexities with that audit because it was the first year HHA was an MTW agency, and that submission is still under review by REAC. All prior submissions have been approved.

Bring this to the 2023 audit. We were able to submit that to REAC by the nine-month due date of September 30, 2024, but we had to issue a disclaimer of opinion. Basically, we did not have enough time to collect all the audit procedures and all we needed to do so. You can see we only had 2 months and 4 days from when we issued the 2022 audit to the 2023 audit. That submission was recently rejected by REAC and they give you 15 days from when that comes through. Our goal is to issue by 12/28/2024 and have a better opinion. Hope the issue will come out by the end of the month.

Chairman Proler. Pretty confident in that ability as of this date?

Berman. As of this date, yes. We're still working through some items, but we have two weeks left, and we also have the REAC projection comments to get through.

Commissioner Smith. I have a question due to lack of accounting knowledge. Is it generally 3 or 4 years after the activity that the audit happens?

Berman, absolutely not. Typically, the audit is done the next fiscal year, so your December 2023 audit should be done by September 30, 2024.

Commissioner Aceves-Lewis. What was the reason that the previous auditor denied access to more papers?

Berman. I believe they tried to bill for additional services provided above the audit fee, and HHA did not pay those extra fees that they requested. So, due to that, they refused to grant us that information.

Commissioner Aceves-Lewis. Do you know why that was?

Berman. I think there might have been some discrepancies in what that bill was for and what the agency felt the services were provided for. It is my understanding of that. The other thing I wanted to mention, Commissioner Smith, it's not common for agencies to be that late; however, because of COVID, there were waivers and extensions that were granted to all agencies across the board. All agencies had additional time to get their audits done. It varied depending on what year you were talking about, and, unfortunately, I think those waivers were needed, but, when you get a backlog of anything, it gets hard to get caught up. I think the important thing to know now is, that we're caught up. We're wrapping up the final pieces of 2023. We're moving into the end of the 2024 fiscal year and really stepping into that audit. For 2024, we are in the best position that that we have definitely been as your auditor. So for many years, we are really starting off on the best foot that we could as of this point.

Commissioner Carter. Why does the audit exclude HOPV Historic Community, LP, Fulton Village Apartments, LP, Sweetwater Point, LP, and 100 Victory, LP?

Berman. So one of the additional issues we ran into when we first came on board is we were hired to perform the audit for APV Redevelopment Corporation as well. So we were provided the 2019 financial statements for that, which we used as a basis for our audit proposal. Once we got into the audit procedures, we realized that the audit did not include the fully-owned entities of APV, which it should have. So, during the 2019 and 2020 audits that we were performing, we came to the conclusion that there were major differences between the 2019 audit and the 2020 audit.

When we issued the 2020 audit, we included all those entities that were omitted in 2019, so those four entities were now included. In addition to that, Uvalde Ranch came on board. There are some complexities to this as well because these were already considered related party history of all units for HHA. So anytime you have a receivable balance due from any of these entities or a payable balance due to any of these entities, they are now considered wholly owned by APV, which makes them wholly owned by HHA. Any internal activity that was on the books before becomes eliminated. There are a few additional complications because the purchase date, if it came on in the middle of the year, June 15th, for instance, the activity prior to June 15th is considered part of the old entity, and behalf of that is part of HHA balances.

The same goes for the 2021 Mansions of Turkey Creek, which came on board. In 2022, the VSPFC Wilcrest Apartments and Peninsula Apartments were RAD'd as well, and then the HOAPV was removed because of the RAD Conversion.

We are now working on the 2023 audit and APV Fondren Rd. Apartments because we have the broker now included in those as well. In 2024, next year, we are anticipating Lincoln Park Apartments and Oxford Community Apartments to be brought in. Each of those transactions has huge complexities to the current state of the books. Lauren is going to take some more details into 2023.

Berman. I mentioned that there are three opinions and 3 reports that we issue as a part of our audit, and what we have on the next few slides are some snippets. Each of those reports is 4 to 5 pages. Some snippets of the critical pieces of those audit reports. So this is our auditors' report, and we had a question about not being able to complete our audit procedures. So, the opinion that we issued was actually a disclaimer of opinion. What that disclaimer says is that by the time the audit was due to HUD, we wanted everyone HHA-Team, and our team agreed we wanted to meet that submission requirement for HUD, get us on the right track with things, and start meeting those deadlines timely. By the time that submission was due, we did not have enough time to get properly supported information and test it, and do all of the things that we needed to do as auditors. So we issued a disclaimer of opinion that states that. There's another piece to that disclaimer of opinion is that your opinion includes the discretely presented component units that you have. We don't do the audits for those. You have separate auditors that do those audits and some of those audits hadn't been completed. We don't redo the audits. We get the audit from those auditors, and then we include that in our information and some of those audits had not been completed, so we weren't able to include those in our opinion, which also led to that disclaimer.

In the government auditing report, we don't actually issue an opinion in this report. We state the results of our testing and the results that we had to report in regards to this is that we did have a finding related to controls and compliance over the financial records. A lot of that stems from the timeliness of the reports and being able to get caught up, and the effort that the team needed to put in to get to a place; we're just having to make a lot of adjustments and get that information updated. So we did have to report that as a finding this year. This is what that finding looks like. Again, the whole finding is about a page long, but essentially, what it says is that there were numerous adjustments that were needed to properly report the financial statements and in an effort from the unaudited submission that was created to the audited submission that we completed. And I want to speak to that quickly. Sean mentioned in the timeline that we were delayed and the unaudited submission that was due for the 2023 audit was actually due before the

2021 audit was even completed. So, you're 2 years behind. So, you're coming to submit numbers that are being adjusted, and you're just still playing this game of catch-up. So we're again very optimistic moving into the 2024 audit. That unaudited submission is due February of 2025. All of the audit adjustments will be made, all of the information will get in and we're going to be starting out of a better place.

The Uniform Guidance Report speaks to the compliance and the opinions that we issue over your major programs. Your major program this year is you're Moving To Work (MTW) program. Because of the size of that program, it will most likely always be a major program for the agency. We also have your housing voucher cluster program as a major as well as your Section 8 project-based cluster program. We issued qualified opinions on all three of those programs, and what a qualified opinion says is that except for the noncompliance that we describe, the agency did comply in all material respects with the requirements that were deemed to be direct and material. And really the significant compliance issue that we ran into was related to the eligibility. We do testing of the eligibility of the tenants and the recertification process that they go through and we had numerous issues that we noted in all of those programs.

As such, because we have a compliance finding, there usually is an internal control finding that follows that because if you're not able to satisfy your compliance requirements, then there are most likely some controls and some policies and procedures that need to be updated as well. This is what that first eligibility finding looks like. Just a little bit of knowledge for everyone: your MTW program combined your voucher program and your public housing program, so we did separate out our results within this finding. You can see that of the Section 8 testing that we did, those are all of the discrepancies that we noted. So 35 of the files did not have an annual recertification that was performed during the year. So, recertification needs to be done every 12 months. That's obviously a very significant item. The other items include forms not being signed that needed to be signed, not having an inspection done, not having all of the proper documentation and the files, and documenting items related to income calculations.

Chairman Proler. 35 files out of how many?

Berman. Our sample size is 44 is what we would have originally picked. We probably would have not tested all 44 once we you know had that we so we might have just stopped at the 35.

Commissioner Smith. When there is noncompliance is found in an audit and noted, do you go back and see if those compliances cleared in the following year when you do audits?

Berman. Yes, Sir. That is a part of our requirement as auditors. Even if this program wasn't deemed to be a major program next year, which it would be because of its size, we have to note whether that previous finding was cleared or not cleared.

Commissioner Carter. Can you tell me the percentage of material noncompliance in relation to the 18,000 in 2100 tenants? What is your sample size? I do not understand it?

Berman. Well, our sample size is 40 is the minimum.

Commissioner Carter. Out of 40 clients and you found 35 deficiencies?

Berman. Yes, Sir.

Berman. Under the MTW program, we did test public housing files as well. Again, we would have started with a sample of 40. Of that sample, we had a variety of different errors that we noted. 14 didn't contain the flat rent option form. 10 files did not have proper documentation for the income that was being reported. 7 files didn't have annual recertifications completed. Some other forms weren't signed.

We also did test your housing voucher cluster. The housing voucher cluster includes variety of different programs. Some of those moved over into MTW, but some of the mainstream vouchers, emergency housing vouchers, those are still reported under the housing voucher cluster. So that was also a major program this year. Unfortunately, we saw similar issues because of the controlled environment and the concerns that we had over the control environment, the sample that we tested was much smaller. So, in Mainstream, we started with just a sample of five, and unfortunately, all five of those files did not have proper documentation for the determination of eligibility. Similar in the emergency housing voucher cluster terms of their program, we again started the sample of five and four of those files didn't have the proper eligibility requirements.

Lastly, on eligibility, you're Section 8 project-based cluster, we started with a smaller sample on this, 20 tenant files were tested. Nine of those didn't have annual recertifications. Some files didn't have proper forms that needed to be signed or hadn't had a recertification performed in the past 12 months. There was one other finding that wasn't related to eligibility. When you have a finding, there are 3 levels; there's material weakness, material noncompliance, significant deficiency, and then other matter. So, when we're dealing with compliance, it's either it is, or it isn't. We have to report everything that didn't meet the requirements. So, in the MTW program, part of the testing that we do is the waiting list, vouchers that are given, and how those people are pulled from the waiting list. Unfortunately, the agency wasn't able to provide us with documentation to support one of the applicants who was pulled from the waiting list. So again, it's a sample of 40 and only one, but we still have to report that one.

I do want to say that, as an agency, and, again, I mentioned this kind of working yourself out of that backlog. We've worked with agencies that have been under receivership and, have been in difficult positions, it takes time to work yourself out of that. I think you have to understand as an agency that, unfortunately, that's not going to happen overnight. Especially when you're talking about compliance issues, when we're coming in and doing compliance testing, a whole year of compliance is already done. So if there's an issue or a problem, it's going to take some more time to work yourself out of it.

Commissioner Aceves-Lewis. So essentially you could expect to see similar findings for 2024?

Berman. Unfortunately, I think so. Hopefully, the numbers are a little bit better, and I know there's been a lot of turnover for all agencies, especially at that recertification level and the people who are doing a lot of that work. We did not start this audit until the middle of 2023, so some of these issues, the agency may not have been fully aware of.

Commissioner Carter. Is it a base employee or middle management issues?

Berman. I don't know that I can speak to the specifics of that. I mean, I think it's a little bit more global than that. And, obviously, the employees that are handling the recertifications, we want to make sure that they have a good understanding and desktop procedure, but then we also want to make sure that there's a good review process that's happening. It's probably not realistic for that review process to be 100%, but a good process for what does the quality control review looks like so that the director or manager can identify if we need some additional training in this area or maybe this person isn't the best fit for this job.

So that was a lot of information that I went over. Your financial statements are very lengthy. I wanted to point you really to just one page in your financial statement that is referred to as the summary of schedule of findings and question costs. That's what you'll see on the right-hand side. That's on page 72 and it really gives the synopsis. The blue highlights are a little hard to read, but it tells you the types of reports that were issued, the major programs that we selected, and the findings that we've had with those.

Commissioner Aceves-Lewis. And the ideal opinion would be an unqualified opinion, Is that correct?

Berman. Yes, ma'am. An unmodified opinion is what we would refer to as a clean opinion.

Commissioner Aceves-Lewis. Those in blue are qualified?

Berman. Yes.

Berman. This is your schedule of expenditures of federal awards; really just presenting this because MTW is newer to the agency, so you can see that the \$230 something million of your federal awards are coming through that MTW program. Still a very large voucher program with your mainstream and your emergency vouchers. Public Housing is still a large program, although you guys are going through various RAD conversions and whatnot. You do have a big makeup of programs. A lot of agencies have two or three and you are utilizing a lot to diversify.

A couple of other required communication that we have as auditors are required to go over with you as Board members that we haven't already touched on. Significant accounting policies are listed in Note A of your financial statements. A couple of things I wanted to point out here. For the 2023 audit, there was a new standard that was implemented. It's for subscription-based software arrangements, essentially adding an asset as well as a liability for any long-term software contracts that you have. Then looking forward to fiscal year 2024, there is a Compensate Absences Standard that's being implemented. We don't anticipate that having too significant of an impact on the agency, but just something that might impact some comparability. We didn't have any disagreements with management, it was a difficult audit and, moving through that together and, getting caught up was a challenge. Obviously for the staff here is working very hard as well as our team, but everyone that we've been working with was helpful and, and forthcoming. They weren't hindering our audit process in any way. When you're asking about data that's two and three years old, it's a challenge to get updated information.

There are some estimates that are built into your financial statements. An allowance for receivables, the useful life of your fixed assets, as well as the current portion of the compensated absences. The important thing to note, there weren't any changes in how these estimates were developed by the team. Some highlights, as we mentioned, we did issue a disclaimer of opinion for that first audited submission. Overall, there was a cash decrease of about \$16 million; however, a large increase in your net position of \$23 million. New implementation of that software arrangement that I mentioned, your federal funds are \$265 million. Keep in mind these balances are as of 2023, and your net capital assets were up \$34 million, and that's really what's driving a lot of that increase in the net position that you see.

Moving into the recommendations and plan for the future, I think it's important to know that everyone that we worked with is really dedicated to improving the process and we've had a lot of conversations and will continue to have conversations about what do they need to do? What do we need to do? How do we make this process more efficient? How do we make the reporting more timely and more accurate, and those types of things? Some items I wanted to point out for recommendations. There's a very significant software implementation that the agency is going through, and that doesn't come without its own challenges. Of course, any software implementation does, but I am optimistic for the reporting and other information that the team's going to be able to get out of that. It's always important anytime you have a software implementation to make sure you revisit your policies and procedures. This software is taking you into the next stage of the agency and understanding that what is the most efficient way to do things and are we making sure we have good internal controls, good segregation of duties, those types of things.

The other thing that I think is really important for agencies like yours that have a lot of development and a lot of activity that's going on, there are various entities that are coming in and rolling off depending on development activity, conversion activity. So it's really important for all departments to be speaking to each

other. So, Development, Asset Management, Finance, everybody needs to be aware of what the other is doing and, and the information that they need in order to make sure that there's good oversight, proper accounting of those entities, proper reporting of those entities. There are a variety of ways that you could do this as an agency. I think, making sure that everyone that needs to have access to organizational charts and documents and agreements and summaries. I know a lot of this is already in the works by the teams, but that's just going to be critical to help aid in proper financial reporting.

Another item is internal reviews. From a finance position, having one person that's preparing the documentation, the reconciliation, whatever it may be, and then being able to have another person that's reviewing it, second set of eyes, understanding the data that's being reported, making sure it's accurate. All of that is going to lead to a timelier, more accurate financial close as well as your FDS submission, which is really the start of the financial year's reporting.

Another thing I think is always a good idea is to make sure there's clarification between the board and the executive team and what type of financial information the board wants to see monthly and understand the needs. I've seen too many instances where a finance team member is spending hours making reports for a board, and it's something that a board member 10 years ago wanted, and they just kept doing it, and maybe it's something that's not even being utilized. I'm just making sure that there's a conversation around what you, as board members, want and what the team can provide you guys to help clarify those items. And then this is another one that I know is already in progress which is analyzing your accounting department. What is the ideal structure of the accounting department? What's the ideal segregation of duties and responsibilities? Where are your staffing needs? Are all of those positions filled? Is there training needs that need to happen, those types of things?

And then lastly, the plan for the future, just really to help prioritize some of those items that I talked about. The timeliness and the internal reviews are really high on that list of what I would think would be key areas for the teams to focus on. Then next would be that detailed organizational chart tracking of all of these PFC entities and instrumentalities and affiliates just because it's so impactful to the agency's financial reporting. All of those agreements are different. All of those deals are different. They can all be structured differently and have different pieces that need to be picked up. A lot of these we already talked about. I think now, where we're starting the 2024 audit, we've all been playing catch up; the agency has been playing catch up, so we, as auditors, have been playing catch up. So understand getting our audit entries to the team and the team understanding the entries that we made, getting their documentation updated is going to be very important. Proactiveness for the implementation of new accounting standards, and in fiscal year 2026, there's a pretty significant accounting standard that's going to get implemented. That seems far away, but it comes quickly, and it is pretty impactful. Once you're able to get some of these items which are maybe a little bit more foundational, being able to set up the agency to maximize on opportunities. Obviously, there's a lot of development and deals happening already, but some cash and debt management policies and maybe KPI's and understanding how do we want to leverage ourselves as an agency? How do we want to utilize funds? Versus financing those types of things.

Chairman Proler. Thank you very, very much. Will you make the slide deck available to the Board?

Berman. Yes.

Chairman Proler. On behalf of all of us, thank you. For the record, we tried to get them to come once before and they got caught in the hurricane. So, between the hurricane and fog, we finally got them here, and I do want to thank Commissioner Aceves-Lewis for working with me, too for you all to come. I think that it, behooves the agency that you all participate in either virtually or come here more frequently as we get into 2024. I think this has been very valuable, and I know as we learn more from you all, we will have more

questions. You are our partners, and we have a lot to fix and, unfortunately, not a lot of time to do it because 2026 will be here faster than we can say.

Berman. I definitely will, and, again, I think whether it's optimism, I choose to think it's optimism. I think it's really important when I've worked with agencies that are in similar situations, to just look forward and, we're getting this behind us. We're wrapping up these late audits. We are on the right track, and what do we, as an agency, need to do to move forward? Those are the conversations we've had with the team and they're on board. So again, we're going to start off this next audit period on the best foot that we have in the last four years and that's exciting for us, and I know it's exciting for your team as well.

Commissioner Aceves-Lewis. First, thank you for flying out. I'm sorry for the redirection, but we're glad you made it. This is a nice treat, especially just to be transparent for the public to see what's going on and also to see that there are some great recommendations being made. I'm very encouraged to hear that the staff is very dedicated to the process, so I want to thank you for that. Who is your primary contact at HHA?

Berman. I think most of our communications have Khadija Darr, Mike Rogers, and Huy Nguyen on those communications. I think between the three of them, staying up to date and being able to cover for others as things come up.

Commissioner Aceves-Lewis. I'd love the list of recommendations. I guess what my petition of the staff is, I would love to see where we are just for the board to receive an update. Where are we on those recommendations? If we get stuck somewhere, let's talk about it. But I would like that to be reported on.

Berman. Yes, we can do that.

Commissioner Aceves-Lewis. The adjustments that were proposed for previous years, did you check to make sure that they were made?

Berman. Yes, for all those years, yes, all of them have been made. Again, that was one of the challenges that I know we're all happy we're not going to have this year because submissions needed to be done, and audits weren't finished yet. There was a lot of back-and-forth to get those balances cleared up.

Commissioner Aceves-Lewis. Going forward, what could we do to reduce your time and fees for this next year?

Berman. The number one item is going to be having that internal review of the financial reporting, the information that's provided to us. If there was one thing I would have you guys focus on, it would be that, because you're going to answer a lot of our questions already. You're internal team is going to look at stuff, question their teammate, get some clarification, get some support, then you're going to provide it to us and you're already going to have a lot of those answers addressed already.

Commissioner Aceves-Lewis. Lastly, so just going forward again, are we thinking that regarding the fiscal year 2024 audited financial statements, you would probably start that in March or April? Maybe have something in the summer of 2025?

Berman. That will be a little optimistic with the software conversion.

Chairman Proler. We're obligated to have it submitted to HUD by 9/30.

Commissioner Aceves-Lewis. I like the idea of having the results earlier. We have this lag, and I'd like to see where we are so that we can make those corrections earlier rather than later.

Berman. I haven't really talked about this with the team, but the compliance testing can be done on January 1st. We can start most of the compliance testing. There's some reporting that the team has to complete within 60 days. So oftentimes, with the agencies, we can get started on the compliance testing sooner, and we can get those results out and have that wrapped up.

Commissioner Aceves-Lewis. How long will that take?

Berman. You have a lot of testing and a lot of programs. I would say if we were to be able to start that, let's just say in March, because there are some reports that the team has 60 days or so to get completed. If we were to start that in March, I would say over the summer, we would be able to have our testing wrapped up and be able to present those results.

Chairman Proler. Thank you. Why don't we put this on the agenda for an update in January. Let's do an internal review discussion each month so we can have an idea going forward in the new year of how we're doing? Thank you all very, very much.

VIII. NEW BUSINESS

a. Resolution No. 3842: Consideration and/or take action to authorize the Interim President & CEO or designee to adopt 2025 Public Housing Flat Rents & Tax Credit Capped Rents.

PRESENTED BY: Shona Smith-Ombogo, Assistant Director of Asset Management.

The FY20 15 appropriations amended the 2014 Act to require that the rents be set at the list less than the lower 80% of the applicable fair market rental of such other applicable fair market rental established by HUD. Such a small area has fair market rates; as of October 2024, the FY2025 FMRs increased throughout the Houston area, which triggers a requirement to revise the upward median of the public housing. That means the established flat rent ensures families' rent recalculations do not exceed 80% of the Fair market rental threshold. HUD requires PHA to allow families residing in public housing a choice of rent annually. The choice of the rent is based on either the family's income or is a flat rate amount generally based on 80% of the fair market rents for the PHA jurisdictions as determined by HUD. PHA's are required to provide families and choice of rent at the cost at the onset of occupancy and at their reexamination. PHA's must determine that flat rents annually. HHA uses the small area flat rent due to the differences in the marketing areas throughout our city. For a family that chooses the flat rent option, the PHA must conduct a reexamination of the family income and composition at least once every three years. The annual reexaminations between the three-year flat rate examination will be only to confirm a family's composition. At the three-year reexamination, if every family's income exceeds the program income limits, the PHA will implement protocols for over-income families. At this time the Houston Housing Authority has 47 families that are at the flat rate throughout our twelve properties. We provided a difference in change from last year to this year.

Chairman Proler. Thank you very, very much. Would you please see that this document gets inserted, as a matter of record, because this came late to us this afternoon so it is different from the document that's in our board book.

On motion by Commissioner Li and seconded by Commissioner Ballard.

Commissioner Carter. What happens to the people who live there who can't pay the 20%?

Shona. It is for the families that are over income. With public housing, when you're over income, if they are over income, we do not kick you out. It is based on your income and you can go by the income and we can do the calculation or the flat rent. Usually the rate is less, so most families take the choice of doing the flat rent, rather than income.

Commissioner Aceves-Lewis. So there is one, one-bedroom in Cuney Homes. In 2024, it was \$840, and it's going up to \$1,008, correct? So, what does that mean?

Shona. They will pay that additional amount because their income will allow them to pay more, but they will most likely take the option to pay the flat rent versus the percent of what their income is.

Chairman Proler called for a vote. The Board unanimously approved Resolution No. 3842.

b. Resolution No. 3843: Consideration and/or take action to authorize the Interim President & CEO or designee to approve the 2025 Operating Budget.

PRESENTED BY: Mike Rogers, Vice President of Fiscal & Business Operations

Chairman Proler. If I could make your job a little bit easier, let me just make this comment. The board has really not had a chance to really look into the depth of this budget as I shared with you last Friday night on the phone. And it was the intent of this, of the previous president, that this board would get away for a day, and we would spend time talking about the 2025 budget, and clearly, I don't feel like we did that. However, having said all that, at the risk of funding from HUD, we're going to approve this budget. I want to be really clear here. My approval is contingent upon the fact that this budget is made very clear in the minutes that we will amend this budget, we will continue to work at this budget, and we will have far more conversations in 2025 about the details of this budget.

Mike: We have no problem with any of that. In fact, one of the things I always mention when I do the budget presentation is that it is a tool based on the estimate that we made right now with the information that we have and we're more than willing at any point in time to have the new discussion at any level of detail that you want.

Chairman Proler. I appreciate that. I think it would be it would be really beneficial if, between now and our January meeting, a synopsis, if you will, or a memo could be prepared to talk about, how the budget process works. We just want to understand how the numbers get to where they get to, and I think if we do it once, for those of us who continue to be part of this process along, to get easier but clearly that is my hope and my wish

On motion by Commissioner Carter and seconded by Commissioner Ballard.

Commissioner Aceves-Lewis. So I just agree with you, Jody that it would be helpful to have that process documented and where we can actually look at it and read it. But we did discuss it. There's a lot to learn. And I think one of the things that we had discussed which I'll share with the rest of the board, is I just noticed that I well, I think we were able to determine that maybe the way the budget was created last year was not at full utilization like it is for fiscal year 2025. Therefore, there were there were more significant jumps in the amounts that were estimated and so one of the items that we discussed that Mike is more than willing to do is let the in addition to the process being disclosed in January, let's get a quarterly update to see where are we, what is that novation rate, attrition rate so that we can perhaps that adjust these numbers, is that correct? Yeah, OK.

Chairman Proler. I'll add to that, there is an \$8 million allocation and I'd like to know where that \$8 million is going in 2025. Thank you.

The Board unanimously approved Resolution No. 3843.

- c. **Resolution No. 3844: Consideration and/or take action to authorize the Interim President & CEO or designee to update current Houston Housing Authority Housing Choice Voucher Program utility allowances for electricity, natural gas, water, and sewer with current rates and charges for each utility provider as required by HUD regulations at [24 CFR 982.517 Utility Allowance Schedule] effective January 1, 2025.**

PRESENTED BY: Kenny Coles, Vice President of Voucher Operations

On motion by Commissioner Carter and seconded by Commissioner Li. The Board unanimously approved Resolution No. 3844.

IX. EXECUTIVE SESSION

Chairman Proler suspended the Public Session on Tuesday, December 17, 2024, at 4:02 p.m. to convene an Executive Session to discuss personnel, legal, and real estate issues in accordance with Sections 551.074, 551.071, and 551.072, respectively, of the Texas Government Code.

Chairman Proler. Let the minutes reflect that Commissioners Lewis and Smith are here in the building but we're going to go ahead and proceed.

X. RECONVENE PUBLIC SESSION

Chairman Proler reconvened the Public Session at 5:17 p.m. to take action on Executive Session agenda items.

- d. **Resolution No. 3845: Consideration and/or take action to authorize the Interim President & CEO or designee to execute a Memorandum of Understanding with NHP Foundation for the Trinity East Village Senior, a Choice Neighborhood Replacement Housing Project for Cuney Homes residents.**

On motion by Commissioner Li and seconded by Commissioner Smith. The Board unanimously approved Resolution No. 3845.

- e. **Resolution No. 3846: Consideration and/or take action to authorize the Houston Housing Authority to execute a Memorandum of Understanding with Aces Development, Inc., or an affiliate thereof, for the construction of Thrive Almeda at Fuqua, an apartment community to be located at or about 13408 Almeda Road, Houston, Texas 77053.**

On motion by Commissioner Smith and seconded by Commissioner Li. The Board unanimously approved Resolution No. 3846.

Chairman Proler. Regarding all of the approvals that will be done today, because this is very important. For this project. This project, if the City Council approves it, we'll have 5 units. That will be held at 30% of the area median income. This will be the first project this authority has approved that has new construction at within a PFC with 5 units. But also want to share that everyone in the additional 4 projects that are going to be approved, each of those units will have each of those projects will have 5 units dedicated at 30% AMI. I think the board joins me in congratulating the REID team, specifically David Cukierman and Jay Mason, who

worked very hard to negotiate to provide deeper affordability, which is what this agency is passed with. So thank you all.

- f. Resolution No. 3847: Consideration and/or take action to authorize Houston Housing Authority's re-finance of the Cypresswood Apartments, located at 708 E. Cypresswood Dr., Spring, Texas 77373.**

On motion by Commissioner Smith and seconded by Commissioner Ballard. The Board unanimously approved Resolution No. 3847.

- g. Resolution No. 3848: Consideration and/or take action to authorize Houston Housing Authority's re-finance of the Standard in the Heights Apartments, located at 609 Waverly St., Houston TX 77007.**

On motion by Commissioner Li and seconded by Commissioner Smith. The Board unanimously approved Resolution No. 3848.

- h. Resolution No. 3849: Consideration and/or take action to authorize the update of the previously approved lender in Resolution No. 3818 for the Henry at Deerbrook transaction.**

On motion by Commissioner Li and seconded by Commissioner Kirkendoll. The Board unanimously approved Resolution No. 3849.

- i. Resolution No. 3850: Consideration and/or take action to authorize the update of the previously approved loan amount in Resolution No. 3802 for the Henry at Jones Road transaction.**

Chairman Proler. Just to clarify, this is a change in the amount of the loan as a result of an interest rate movement in the financing transaction.

On motion by Commissioner Carter and seconded by Commissioner Li. The Board unanimously approved Resolution No. 3850.

- j. Resolution No. 3851: Consideration and/or take action to authorize the Houston Housing Authority to facilitate the acquisition of Cortland Vizcaya located at 18108 South Park View Drive, Houston, Texas 77084, and the execution of all required documents therefor.**

- k. Resolution No. 3852: Consideration and/or take action to authorize the Houston Housing Authority to facilitate the acquisition of Estates at Hollister located at 7740 W Little York St., Houston, Texas 77040, and the execution of all required documents therefor.**

- l. Resolution No. 3853: Consideration and/or take action to authorize the Houston Housing Authority to facilitate the acquisition of Lincoln Heights located at 700 W Cavalcade St., Houston, Texas 77009, and the execution of all required documents therefor.**

- m. Resolution No. 3854: Consideration and/or take action to authorize the Houston Housing Authority to facilitate the acquisition of that certain parcel of land located at or about 1100 Blackhaw St., Houston, Texas 77079, the construction and development of a 352-unit residential apartment development to be known as Ariza Park Row thereupon, and the execution of all required documents therefor.**

- n. Resolution No. 3855: Consideration and/or take action to authorize the Houston Housing Authority to facilitate the acquisition of Avaya Kingwood located at 25710 TX-494 Loop, Kingwood, Texas 77339, and the execution of all required documents therefor.**

Chairman Proler asked for a motion to vote on Resolution Nos. 3851, 3852, 3853, 3854, and 3855 in seriatim.

Commissioner Carter motioned. Commissioner Ballard seconded the motion.

Chairman Proler asked for a motion to adopt Resolution Nos. 3851, 3852, 3853, 3854, and 3855.

Commissioner Carter motioned, and Commissioner Kirkendoll seconded.

Chairman Proler asked if there was any discussion or objection to adopting Resolution Nos. 3851, 3852, 3853, 3854, and 3855. Having none, the President called for a vote. All voted in favor, so Resolution Nos. 3851, 3852, 3853, 3854, and 3855 are adopted.

XI. ADJOURNMENT

Chairman Proler this concludes the items on today's agenda and asked for a motion to adjourn.

On motion by Commissioner Smith and seconded by Commissioner Carter.

Chairman Proler declared the meeting adjourned at 5:24 p.m.