

MINUTES

**Grand Junction Housing Authority
November/December Board of Commissioners' Meeting**

**December 13, 2019 8:00 am
8 Foresight Circle**

Call to Order

The GJHA Board of Commissioners' meeting was called to order at 8:05 a.m. by John Howe, Board Chair. Attendance was taken by roll call with the following present:

Commissioners: John Howe, Chair
Ivan Geer, Vice Chair
Chris Launer
Tami Beard
Tim Hudner
Rick Taggart
Bill Johnson

GJHA Staff: Jody Kole, CEO
Krista Ubersox, HR Director
Suzy Keith, Asset Manager
Jill Norris, General Counsel
Sheila Brubacher, Accounting Supervisor
Racquel Wertz, Voucher Supervisor
Margaret Ellrick, Supportive Svcs Supervisor
Dannette Buck, Special Projects
Jane Hart, Executive Assistant

Guests: None

New Board Member, William "Bill" Johnson, was introduced by Chairman John Howe and welcomed by the Board and Staff.

Consent Agenda

The Consent Agenda consisted of a Request for Adoption of Minutes for September 23, 2019 and October 28, 2019, a Request for Adoption of Notes of the Finance and Audit Committee for September 17, 2019, a Request for Adoption of Notes of the November 23, 2019 Executive Compensation Committee, acceptance of the Annual Bad Debt Report, and Adoption of *Resolution 2019-12-03 Approving Change in Terms of Bank of Colorado Loan No. 2644579301 (Extending Maturity Date of the Highlands 2 Construction Loan)*

A motion to adopt the consent agenda was made by Ivan Geer with a second by Tim Hudner. The motion passed with all Board Members in favor, none opposed.

Report from the Finance and Audit Committee

Ivan Geer announced that the Finance and Audit Committee had reviewed the items on the consent agenda and recommended accepting the Bad Debt Report and extension of the Highlands 2 construction loan. Ivan noted that bad debt had improved over last year and commended staff for their work on this front. He stated that there were no anomalies to report in the 3rd Quarter Financials and the Committee would recommend acceptance of those financials and the tax credit budget revisions, with the understanding that additional spending was driven by recent methamphetamine contamination of several housing authority properties. He further commended staff on the quality of the report prepared to assist in Equity Partner selection and Lender Partner selection for the 2814 Tax Credit transaction.

MINUTES

Grand Junction Housing Authority
November/December Board of Commissioners' Meeting

December 13, 2019 8:00 am
8 Foresight Circle

3rd Quarter Financials

Sheila Brubacher cited methamphetamine contamination, the Monument Business Center refinance loan origination fee and air conditioner repairs, the installation of new concrete patios at Walnut Park, painting at Arbor Vista and Linden Pointe, and a new vehicle purchase for the Voucher Program Housing Quality Inspector were the unbudgeted costs reflected in the 3rd Quarter Financials that the committee had reviewed.

Rick Taggart requested that revised budget numbers be shown alongside of, and compared to, original budget numbers in future statements prepared for the Board so they will be easier to follow.

Tami Beard made a motion to accept the 3rd Quarter Financials as presented. With a second by Chris Launer and a unanimous vote, the motion passed.

Revised Budgets for Calendar Year 2019

Resolution 2019-12-01 Adopting Budget Revisions for Calendar Year 2019 for Tax Credit properties including Village Park LLLP, The Highlands LLLP, Arbor Vista LLLP, and Linden Pointe LLLP and Resolution 2019-12-02 Adopting Revised Consolidated Budget for GJHA Acquisition and Development, Home Ownership, Housing Advocate, Monument Business Center, Ratekin Tower Apartments, and Walnut Park Apartments for the Fiscal Year Ending December 31, 2019 were presented on a separate handout by Scott Aker. Scott stated that revisions this year were more numerous than in previous years due to methamphetamine issues. He also noted that the figures shown for Arbor Vista are cash outlays in 2019 which will be paid by GJHA prior to settling on insurance claims.

Scott Aker noted that GJHA revenue for 2019 is approximately \$37k more than budgeted, while staff is requesting Board approval for revisions that exceed original approved budget authority by an estimated \$30,000. Ivan Geer reiterated that the over budget spending will not result in a net operating loss.

Methamphetamine remediation work is being prioritized at Arbor Vista to make sure, as much as possible, that the four affected Tax Credit units are available for occupancy by year end. In response to Tim Hudner's questions regarding the methamphetamine contamination, Jody explained that the insurance company has not determined if the meth damage is the result of a casualty or tenant damage in the form of vandalism. Regarding damages at Tax Credit properties, Jody continued that GJHA will likely be required to reimburse investors for lost or recaptured tax credits on any units not available for occupancy on December 31st. GJHA is expecting total tax credit loss exposure on Arbor Vista to be less than \$10k. Village Park has two contaminated units and Linden Pointe has one that should be remediated and available for rent by the end of the year. There is a chance that Deferred Developer Fees still owed to GJHA by Arbor Vista may not be fully paid, not strictly because of the meth remediation expenses, but also because a downturn

MINUTES

Grand Junction Housing Authority
November/December Board of Commissioners' Meeting

December 13, 2019 8:00 am
8 Foresight Circle

in the economy resulted in the pro forma taking a hit early on. Jody said that further analysis of the Arbor Vista position will be made available in the future.

Suzy Keith told the Board that GJHA is working with three remediation companies (two local and one out of Denver) to get work completed quickly on all properties. There are very few certified companies in Colorado as meth remediation is highly regulated. Due to regulations, GJHA staff is not allowed to enter the affected properties to check progress. Not all post-remediation testing came back clear, which means additional cleaning or complete removal and replacement of certain materials may be necessary. Suzy will be meeting with representatives from the remediation companies today to develop a timeline.

Most of the remediation on Tax Credit properties and associated costs will be incurred in 2019, and it remains to be seen if the bills will be processed and paid in 2019 or carry over to 2020. Final costs for Ratekin Towers, however, will carry into 2020. The first and sixth floors of Ratekin have been remediated and cleared. Two units there needed extensive work which includes tearing out the HVAC system and appliances. The second-floor tenants are relocated to hotels currently, and staff hopes to have clearance for their units by next Tuesday. Work will break for the holiday and begin again in early January for the third and fifth floor, followed by and concluding with the fourth floor. GJHA expects \$510k will be added to the expenses at Ratekin Tower next year for relocation of tenants, remediation, clearance testing, and rebuilding. Ivan Geer noted that the \$1.3mm on the balance sheet will help absorb this hit.

Rick Taggart asked why the Board is not being asked to vote on income increases and only on expenditures. John Howe offered that the Board must approve expenditures, but not income or the sources used to cover expenditures. Ivan asked that the record reflect the Board is not approving an overall loss. Chris Launer added the budget, as GJHA's spending authority, is provided to HUD. Tim Hudner elaborated that the entire budget is approved at the beginning of the year and revisions are needed only to authorize additional spending.

Rick Taggart made a motion to adopt Resolution 2019-12-01 to Approve the Revised 2019 Village Park, Highlands, Arbor Vista, and Linden Pointe budgets. Ivan Geer seconded the motion which passed with all in favor, none opposed.

Sheila Brubacher provided a line by line explanation of other requested revisions, for properties and funds not associated with tax credit properties:

- A Monument Business Center budget revision is needed to cover HVAC repairs and a loan origination fee from the recent refinance of the mortgage.

MINUTES

Grand Junction Housing Authority
November/December Board of Commissioners' Meeting

December 13, 2019 8:00 am
8 Foresight Circle

- The Ratekin Towers revision is, for the most part, tied to meth remediation estimates. Scott Aker pointed out that cost management by Suzy Keith and the GJHA maintenance staff has helped to mitigate this financial hit.

Suzy elaborated that 2019 capital improvements at Ratekin Towers, including floor replacement, concrete work in front of the property and in the parking lot, and other items were collectively under budget by \$53k.

Walnut Park was \$39k over budget in capital expenditures for roofing and patio installation. Operating expenses came in under budget. A planned transfer of funds of \$34,000 from the Walnut Park Laundry Fund and \$15,000 from a Locally Determined Reserve Account, will be used to “true up” the negative cash balance of the Walnut Park Service Coordinator that has accumulated over several years. Jody Kole reminded the Board that the Walnut Park mortgage was paid in full this year and therefore the property has extra cash. Scott Aker noted that several similar transfers proposed in the 2020 budget have been put on hold until the meth situation has been resolved.

- Homeownership operating expenses were over budget in compensation and in travel and training. There was enough cash in the account at beginning of the year available to pay the over budget expenses. There will still be in excess of \$5k in operating cash after the unbudgeted expenses. Scott Aker reminded the group that these overages resulted from training two staff members to continue the Homeownership Education Program after the previous GJHA housing counselor left the organization.
- Housing Advocate expenses were over budget for travel and training and for mobile phones. The revenue for the Housing Advocate fund is approximately \$80k over budget as the money from the Next 50 Initiative, budgeted for Service Coordination expansion in 2020, has already been received.
- Acquisition and Development (A&D) is over budget in capital expenditures resulting from the purchase of the Foresight vacant land adjacent to the Main Office. Operating revenue is high because funds were received from Federal Home Loan Bank (FHLB) for Highlands 2 as well as an Economic Development Grant from the City of Grand Junction for post-asbestos remediation work at the Bookcliff Squire property, to prepare the site for future development.. Some reclassifications in this account were done as staff worked on cost certification for Highlands 2. This account is also over budget for salary and training.

After John Howe asked about FHLB (Federal Home Loan Bank) receivables to A&D for Highlands 2, Jody Kole clarified that the grant sources that support development are received by

MINUTES

**Grand Junction Housing Authority
November/December Board of Commissioners' Meeting**

**December 13, 2019 8:00 am
8 Foresight Circle**

GJHA and then loaned to The Highlands 2 LLLP. The grant funds are owed to the A&D account of GJHA and will be paid back if the property is ever sold to a third party. At year 15, when GJHA takes on full ownership of the property, GJHA will assume the obligation of the debts, to itself and others, pay any tax consequences, then continue to pay debts against the property, or potentially forgive debts payable to GJHA.

Rick Taggart asked, with over \$1.1m looming in meth remediation costs, if any detection mechanism can be put in place to help prevent future contamination. Scott Aker answered that, scientifically speaking, there are no detection devices available. Units can be inspected more often but property managers must give tenants 24-hour notice. Scott said one challenge is the proximity of Ratekin Towers to a concentration of the area's homeless population. Staff has discussed adding security at the property, though the effectiveness of this measure to deter or prevent future problems is questionable. Similarly, GJHA will not likely disallow tenants from having guests. Adding to the challenge is the fact that meth is much easier to manufacture than it has been in the past as it no longer needs to be cooked. The use of meth is relatively easy to conceal and the legal penalty for possession and consumption will be reduced in the spring of 2020 to misdemeanor charges for anything less than 4 grams. Meanwhile, the amount of contamination for which remediation is required, pursuant to the Colorado Department Public Health and Environment ("CDPHE"), is very low.

Tim Hudner asked if the offending population are non-elderly individuals and if the risk would be mitigated if Ratekin Tower Apartments were restricted to senior residents? Ivan Geer said he believes the problem is everywhere and is multigenerational.

Suzy Keith told the Board that GJHA currently obtains a criminal background on every housing applicant. If the applicant has meth record, they are ineligible for GJHA units. Applicants will be denied even if the violation is a misdemeanor. Property managers have been doing additional property inspections, which has helped to lower bad debt costs. There are now standard 90-day check-ins after new tenants move in, during which property managers try to identify any lease violations, but meth is very easy to conceal. Suzy advised the group that some of the most highly contaminated units at Ratekin were, in fact, occupied by seniors.

Rick Taggart suggested, given the likelihood of similar events in the future, that GJHA consider setting up a reserve for future losses and asked if any insurance products may be available to cover future losses.

Jill responded first by complimenting the savvy of GJHA's insurance broker to having potential coverage this time but stated that GJHA will need a pollution policy in the future. These pollution policies are costly and often come with a \$25,000.00 deductible per claim.

Before the meth conversation was tabled for future meetings, Chris Launer suggested looking for non-porous, meth resistant materials to be used in GJHA developments. Jody Kole confirmed that this has been a consideration as staff plans to build 2814 but noted that cabinetry will present a challenge. She said GJHA will address this problem from every direction including tenant

MINUTES

**Grand Junction Housing Authority
November/December Board of Commissioners' Meeting**

**December 13, 2019 8:00 am
8 Foresight Circle**

education. Tenants will be evicted if their guests use meth in their unit and they will have a judgment filed against them if possible.

Chris Launer made a motion for approval of *Resolution 2019-12-02 Adopting Revised Consolidated Budget for GJHA Acquisition and Development, Home Ownership, Housing Advocate, Monument Business Center, Ratekin Tower Apartments, and Walnut Park Apartments for the Fiscal Year Ending December 31, 2019*. With a second by Tim Hudner and unanimous vote, the motion passed.

Equity and Lending Partner Selection for 2814

Jody Kole referenced a written analysis provided in the board packet, through which staff considered Equity Partner and Lending Partner proposals for development of 2814. Several proposals were received, and staff considered the pros and cons of each, ultimately concluding that Wells Fargo's offer of \$0.97 on the dollar is the preferred proposal. Jody noted one concern is that the offer is subject to underwriting but recalled that Wells Fargo used the same language in their Equity Partner proposal for The Highlands campus transactions and did honor the price stated in those initial proposals. Jody also described how GJHA and the equity partner work together throughout the construction phase and first 15 years of a property's existence. Specifically, Jody stated that if ever the partner does not get the returns that they are expecting, GJHA will make them whole, as required by the limited partnership agreement. The benefit to GJHA is adding rental units to the community's affordable inventory, earning developer fees, earning management fees for 15 years, and having the opportunity to own the property after the tax credit investor exits the limited partnership.

The Board discussed potential risks and advantages of working with Wells Fargo as the equity partner. Tim Hudner added that in all the transactions he has heard about at the state level, he has not heard of any in which Wells Fargo lowered their proposed contribution or created any issues for its partners. Jody and Tim helped the group understand the differences between 4% and 9% tax credit transactions, and tax credit transactions on the Front Range as opposed to those done in our area.

Jill Norris confirmed with Wells Fargo that it's Equity Partner proposal will not require GJHA to use Wells Fargo financing for construction or the permanent mortgage.

Regarding selection of the Lending Partner, most banks offered a 30-year amortization on a 15 to 16-year term. Bank of Colorado offered a construction-to-permanent proposal with a 30-year term for the permanent loan, which the staff preferred given that interest rates could be significantly different and, potentially higher, in 15 years. Bank of Colorado's loan is projected to save GJHA's gap loan approximately 28k over other financing offers, and Jody added that Bank of Colorado has consistently been easy to work with. The proposed Bank of Colorado loan does have a pre-payment penalty, which is scheduled to decrease incrementally over the term. Tami Beard asked staff to discuss this pre-payment penalty with the Bank of Colorado and try to negotiate it down.

MINUTES

**Grand Junction Housing Authority
November/December Board of Commissioners' Meeting**

**December 13, 2019 8:00 am
8 Foresight Circle**

GJHA has also received a 2nd mortgage offer from the CHFA Healthy Homes program (Funded by Colorado Health Foundation) with a 17-year term, a 3% interest rate, and 30-year amortization. The outstanding balance after 17 years is calculated to be approximately \$272k, which could be paid off or refinanced at that time.

Jody anticipates closing the transaction in the beginning of March.

A motion was made to approve staff moving forward with discussions on Equity Partnership with Wells Fargo and Lending Partnership with Bank of Colorado for 2814 by Ivan Geer. The motion passed with a second by Chris Launer and unanimous vote.

Development Update

Jody Kole began a discussion regarding pre-purchase of materials for 2814 at 2019 prices. She stated two objectives; (1) to get a jumpstart on construction for timely delivery of the units and (2) to avoid inflation costs that generally hit the labor and material markets at the beginning of each calendar year. Jody received a list of suggestions from Shaw Construction (Shaw) totaling \$2mm. After reviewing the options and discussing them with Shaw, the recommendation to the Board is to pre-purchase SIPS (structural insulated panels) panels for the outside walls and the trusses. Together, these items would see at least \$45k in inflation if ordered after the first of the year. Jody also recommended moving forward with shop drawings for foundation, elevators, and sprinkler design so the team will be ready to move quickly on these items when the time comes. GJHA will need to front the money for 90 days or less, as it will be paid back at closing in March. The materials will be stored by Shaw or delivered to the jobsite at a later date.

Jody said there has already been \$127k in inflation from Shaw's sub-contractors since their initial bids were incorporated into the 2814 budget. The savings from these pre-purchase items, along with saving on loan fees and cutting the construction budget where possible, will help offset the increases.

With a start date of March 1, 2020, the Certificate of Occupancy will be expected by March 1, 2021. To Chris Launer's question, Jody said everyone involved has been put on notice, has scheduled construction, and the contract with Shaw will have liquidated damages if the contractor fails to perform. Rick Taggart disclosed that Steve Meyer of Shaw Construction is a friend of his and stated he would recuse himself from any vote that involves Shaw Construction. The Board and staff determined there would be no conflict in Rick participating in this vote.

Chris Launer and Tami Beard noted they feel nervous about spending half a million dollars on items that cannot be repurposed.

Tami Beard made a motion to approve early procurement of construction materials and Ivan Geer seconded the motion. The motion passed with all in favor, none opposed.

Legislative Update

Jody Kole provided a handout of a draft of a House Bill regarding exemption from water conservancy district tap fees for GJHA. The water conservancy district in Greeley, CO routinely waives these types of fees, leaving GJHA as the only housing authority in the state paying these fees. Through work with Bernie Buescher, Jody and Jill Norris have identified two lobbying

MINUTES

**Grand Junction Housing Authority
November/December Board of Commissioners' Meeting**

**December 13, 2019 8:00 am
8 Foresight Circle**

firms to take the Bill to the Legislature with a cost of \$40k to finance the effort. The potential for future savings is in excess of \$250k per development. (Note: These savings will not accrue to the 2814 development if the bill is passed and signed into law.)

The State Legislature is currently friendly to affordable housing. State Representative Janice Rich has agreed to sponsor the bill but will step out if CCI (Colorado Counties Incorporated) or CML (Colorado Municipal League) does not support it. Ivan Geer pointed out that the fees charged to GJHA are disproportionate, elaborating that the piping and service requirements needed to service multiple family developments are much less than those needed to service single family properties.

GJHA staff have not yet gone to the City of Grand Junction for input. Rick Taggart said he would like to talk with John Shaver, attorney for City of Grand Junction, before taking a position. John Howe and Chris Launer asked staff to talk with the City before deciding to move forward. Chris Launer noted that cost and political fall-out are both risks, but he would agree to pursue this legislation if the City of Grand Junction agrees.

Rick Taggart excused himself from the meeting and left at 9:52am.

Jill Norris added that in previous conversations, John Shaver indicated the City may be able to provide water service to the property instead of Ute Water. She will follow up to see if this is an option.

Jody said that two contracts have been drafted with the lobbyists. After discussion, the Board gave direction to talk with the City of Grand Junction before signing the contracts and proceed if the City agrees.

With no further business for open meeting, the group had a short break before moving into Executive Session.

At 10:07 am, a Roll Call was taken to Move into Executive Session for discussion of a personnel matter under C.R.S. Section 24-6-402(4)(f) and NOT involving any specific employees who have requested discussion of the matter in open session; any member of this body or any elected official; the appointment of any person to fill an office of this body or of an elected official; or personnel policies that do not require the discussion of matters personal to particular employees.

At 10:32am a Roll Call was taken to Move out of Executive Session and Return to Open Meeting.

John Howe stated the recommendation made in Executive Session was to increase Jody Kole's salary by 2% and award a one-time incentive bonus. With a motion by Chris Launer, a second by Ivan Geer, and all in favor, the motion passed.

Tami Beard made a motion with a second by Tim Hudner, to adjourn the meeting. With all in favor, none opposed, the meeting adjourned at approximately 10:36am.

MINUTES

Grand Junction Housing Authority
August Board of Commissioners' Meeting

August 26, 2019 5:00 p.m.
8 Foresight Circle

All Board Packet documents and documents distributed
during the Board Meeting are retained in the file