

MINUTES

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

Monday, December 8, 2014
Linden Pointe Community Center
11:30 a.m.

1. Call to Order

The joint November/December Board Meeting for the Grand Junction Housing Authority (GJHA) occurred on December 8, 2014. Board Vice-Chair Chris Mueller called the Meeting to order at 11:53 a.m. with the following Board Members present: Scott Aker, Tami Beard, Chuck McDaniel, and Barbara Traylor Smith. Chris Launer did not attend the Meeting. A quorum was present. GJHA staff members in attendance included CEO Jody Kole, COO Lori Rosendahl, CFO Karla Distel and Executive Assistant Kristine Franz. GJHA attorney Rich Krohn and Grand Junction City Council (City Council) Member Duncan McArthur also participated in the Meeting.

Chris Mueller requested the Agenda items be rearranged slightly to accommodate the schedule of Rich Krohn. Discussion occurred next on Agenda Item No. 5, *Recommendation on Selection of a Design-Build Team for the Epstein Property, aka: Highlands Apartments.*

2. Recommendation on Selection of a Design-Build Team for the Epstein Property, aka: Highlands Apartments

Jody Kole referred to her December 4, 2014 Board memo regarding the selection of the Design-Build Team for the development of the Epstein Property, aka: Highlands Apartments and stepped through the recent solicitation/interview process. The Solicitation of Qualifications for the Phase 1 Senior Apartment Complex Development Design/Build and Tax Credit Application issued on November 7, 2014 received five proposals. Qualifications of desired team expertise included experience in the following: multifamily design, senior housing design and construction, and the Colorado Low Income Housing Tax Credit (LIHTC) Program.

Interviews of two teams took place on December 1, 2014 with Jody Kole and Lori Rosendahl. Mr. Duane Hoff, Senior Buyer from the City of Grand Junction's (City) Purchasing Division also participated, but only in an advisory role. Jody expressed gratitude for the City's support and the invaluable assistance in the solicitation process. Barbara Traylor Smith offered her endorsement of the well-qualified staff of the City's Purchasing Division. Teams from Method Studio/Rimrock Construction from Salt Lake City, Utah, and Shaw Construction/OZ Architecture from Grand Junction and Denver, Colorado, represented the two finalists.

Jody Kole explained the basis for the GJHA recommendation of Shaw Construction/OZ Architecture as the design-build team for the Highlands Apartments. She reiterated the challenge of meeting the Colorado Housing and Finance Authority's (CHFA) accelerated submittal date of April 1, 2015 for the Letter of Intent and a Tax Credit Application deadline of May 1, 2015.

Board authorization is requested for staff to enter into contract negotiations with Shaw Construction/OZ Architecture as the design/build team for the Highlands Apartments. The cost for the predevelopment work up to and including the submittal of the Tax Credit Application is \$25,400. Funding is available in the Acquisition and Development Fund Budget for 2015.

Rick Krohn talked to the entitlement process and the rapid progress being made in response to CHFA holding only one round of LIHTC allocations and its accelerated Application deadline for 2015. The property is zoned for 16 units per acre. With the predevelopment plan of 128 units on the 3.75 acres, a rezoning request is being submitted to the Planning Commission, and ultimately to the City Council. Rich outlined the sequence of events leading up to this point in the process and they are as follows:

- Held the required Neighborhood Meeting for the Pre-application Rezoning Request on November 24, 2014.
- Filed the Rezoning Application on November 25, 2014.
- A meeting with the City Planning Commission is scheduled for December 9, 2014.
- A City Council second meeting reading seeking Council approval is scheduled for January 7, 2015.
- Held a preliminary meeting with the recommended design/build team.

Rich Krohn addressed the question posed by Barbara Traylor Smith regarding will the City's drainage issues affect the development. Rich discussed in great detail this entitlement issue. GJHA's knowledge of the drainage problem prior to the purchase of the property prompted several earlier conversations between GJHA and the City engineering staff regarding possible resolutions and estimated costs. At that time, however, GJHA did not have knowledge of additional concerns relating to the Grand Valley Drainage District.

The Grand Valley Drainage District is a special District that has various drainage structures around the valley. There is one such drain that runs in the street east to west on Bookcliff Avenue, which is the north side of the property. The drain is at or over capacity. Rich Krohn identified and presented options to this problem. With no direct discharge, water could be detained on the property until the street pipeline empties. Then, a predetermined flow of water could be discharged systematically with a meter.

With this option, the creation of a physical facility, such as a detention pond, to hold the water is necessary. If there is too much water to detain on the surface, then another option to be considered is to temporarily store the water underground in large pipes with a discharge meter to steadily release the water when the pipe is empty. Another option, but prohibitively expensive, is called retention which is to hold the water on the property.

City Councilman Duncan McArthur briefed the group on previous conversations between the City Council and the Drainage District, searching for short term/long term resolution to the water drainage issues. He plans to attend the next Drainage District meeting on December 11, 2014.

Rich Krohn said the site plan cannot be filed for approval until the Rezoning Application is approved. He also noted that from a legal standpoint, the drainage issue is unlikely to become an issue for the rezoning approval but could become an objection at the site plan approval stage.

Jointly, Rich Krohn and Jody Kole stressed the importance and the critical window of time to have an engineered structural solution prior to the CHFA Tax Credit Application deadline of May 1, 2015. If the deadline is not met, the opportunity to apply for the next CHFA Tax Credit allocation will be delayed until 2016.

Extensive group conversation ensued covering topics such as:

- Additional clarification of drainage detention and retention and property options.
- The importance of developing creative “out-of-the-box” alternative drainage solutions.
- Possible local legislative involvement for drainage resolution.
- Could the City Community Development Block Grant (CDBG) funds be requested for the drainage costs?
- Is an amended site plan possible, selecting a less expensive engineered structural solution than the original solution, and if so, what is the time frame for the change?
- CHFA reviews the full buildable plans as part of the Tax Credit Application submittal.
- The importance of a cost-sensitive drainage solution. If the drainage solution makes the development per unit cost more expensive than the “norm” or what CHFA expects, the risk exists for CHFA to reject the development and not award LIHTCs to the project.

- A meeting with Rich Krohn, Jody Kole, and the recommended design/build team identified the number one priority as developing a workable/affordable drainage solution in partnership with the City engineering staff.
- The construction alternatives using wood versus concrete/steel for the four-story building giving a viable useful life beyond 50 years.
- Duncan McArthur explained the City is budgeting funds to design a solution for the drainage problem but both will take time.

Barbara Traylor Smith moved that the Board approve the pre-development work including the submittal of the Tax Credit Application and authorize staff to negotiate the contract with Shaw Construction for the Highlands Apartments. With brief discussion, Barbara modified the motion to clarify inclusion of pre-development work only up to the submittal stage of the Tax Credit Application at a cost of \$25,400 with the Board reviewing the Application prior to considering submittal. Tami Beard seconded the motion. The motion received unanimous approval.

Rich Krohn departed at 12:48 p.m.

3. Consent Calendar

The Consent Calendar consisted of the *Adoption of Minutes of October 27, 2014 and Resolution No. 2014-12-01 Approving Section 8 Management Assessment Program (SEMAP) Certification.*

Prior to consideration of the requested approval of the Consent Calendar, two Board Members made suggestions or ask questions. Chuck McDaniel requested the Minutes be modified to reflect a change on page 6, Item No. 10 - Request Board Input on Format of Quarterly Dashboards and Financials. The wording, "*Audited Dashboard numbers*", will be changed to read, "*Audited Financial Reports*". The group concurred. In review of the Section 8 Management Assessment Program (SEMAP) Expected SEMAP Indicator Score Sheet, Scott Aker asked why GJHA scored only 15 points out of 20 possible points under the Reasonable Rent Indicator. Lori Rosendhal explained that due to the absence of a couple of Rent Reasonable calculations in respective tenants' files, GJHA received a lower score by 5 points in this category. The GJHA Housing Choice Voucher Program still maintained its High Performer status.

With no further questions/comments, the Consent Calendar comprised of adoption of the Revised Meeting Minutes of October 27, 2014 and Resolution No. 2014-12-01 received unanimous approval with a motion by Chuck McDaniel and a second by Barbara Traylor Smith.

4. Presentation of Proposed Budget Revision and Requested Adoption of Resolution No. 2014-12-02 Adopting Revised Budgets for Calendar Year 2014 for Arbor Vista, Linden Pointe, and Village Park

Karla Distel presented the proposed Budget Revision and requested adoption of *Resolution No. 2014-12-02 Adopting Revised Budgets for Calendar Year 2014 for Arbor Vista, Linden Pointe, and Village Park*. Referencing her December 8, 2014 letter to the Board, Karla summarized by property the following recommendations for modification:

Arbor Vista

- Operating Expenses increased by about 6% compared to the original 2014 Budget, but additional rental income of more than \$13K offset the additional expenses.
- Vacancy loss remains budgeted at 2.5% with actual year-to-date vacancy loss at 1.5%.
- The Utility Expense increased by approximately \$5K, reflecting higher water/sewer costs.
- The Repair and Maintenance Expense remains unchanged with actual expenses under budget and expected to remain that way.
- The Professional Fees Expense increased due to allocation of the internal information systems administrator position.
- The Administrative Expense increased due to additional training for property managers and for supplies.
- The Bad Debt Expense moved from the original 2014 revenue category as a negative amount and is shown as an expense in the revised budget.
- It is anticipated that \$49K will likely be available to pay down the Deferred Developer Fee.

Linden Pointe

- Operating Expenses increased by about 6% compared to the original 2014 Budget with additional rental income of more than \$10K offsetting the additional expenses.
- Vacancy loss remains budgeted at 2.5% with year-to-date vacancy loss at 1.5%.
- The Utility Expense increased by \$12,800, reflecting a bump in electricity use related to the parking lot lights that pushed the kilowatt hours used into a higher rate structure. Elevated water/sewer costs also attributed to the increase.

- The Repair and Maintenance costs are slightly reduced with actual expenses in that category under budget and are expected to remain that way.
- The Professional Fees budget increased due to allocation of the internal information systems administrator position and a small amount for legal fees.
- The Administrative Expense increased for additional training for property managers and supplies.
- The Bad Debt Expense moved from the original 2014 Revenue Budget to an expense, accounting for much of the increase from the adopted Revenue Budget to the proposed.
- It is anticipated that \$90K in excess cash flow will be available to pay down GJHA soft loans.

Village Park

- The Budget required substantial revisions due to the original budget being based upon estimates since this is the first year of operations.
- Budgeted revenues increased by approximately \$22K due to receiving \$17K in Xcel rebates on the coolers and the absence of internet services revenue not budgeted.
- Operating Expenses increased by approximately \$67K due to additional staffing time spent during lease-up, resulting in compensation increases.
- Underestimated Utilities Expenses needed to be revised by approximately \$15K.
- The Professional Fees increased due to allocation of the internal information systems administrator position and legal/audit fees.
- The Administrative Expenses increased for additional training for property managers, supplies, telephone/data line expense, and additional tenant services.
- The Bad Debt Expense moved from the original 2014 revenue budget and increased.
- The Insurance and Taxes Expense shows fees paid to the Village Park Homeowners Association which were inadvertently omitted from the Budget.
- In the Non-Operating category, Interest Expense increased due to the delay in receiving investor funds and the delay in conversion of the construction loan to permanent financing. Depreciation and Amortization increased due to underestimated, and the Partnership Administration Fee to GJHA was not included in the original budget.
- Village Park is expected to generate more than \$56K in cash flow which will be available to pay down the soft loans to GJHA, with the Deferred Developer Fee being first to be paid.

With the completion of the presentation on the Revised Budgets for the Tax Credit Properties, the Budgets and *Resolution 2014-12-02 Adopting Revised Budgets for Calendar Year 2014 for Arbor Vista, Linden Pointe, and Village Park* received unanimous approval with a motion by Scott Aker and a second by Chuck McDaniel.

5. Resolution No. 2014-12-03 Adopting Budgets for Calendar Year 2015 for Arbor Vista, Linden Pointe, and Village Park

Karla Distel gave the presentation of the recommended Budgets for Calendar Year 2015 for Arbor Vista, Linden Pointe, and Village Park. Referencing her December 8, 2014 letter to the Board, Karla summarized by property the following highlights:

Arbor Vista

- Rents are about 2% higher than in 2014 with vacancy loss projections at the same of 2.5%.
- Miscellaneous tenant charges are reduced slightly based on current year experience.
- Overall, revenues for 2015 are up nearly 2%.
- Operating Expenditures are increased by 6% and Compensation is up by 30% because of additional staff time in the budget for property management services.
 - Lori Rosendahl commented on the completed Staffing Plan requested by the Board. With this exercise, the 2015 Budget reflects realignment of staffing resources to reduce staff overload.
- Increases to the Utilities Expense are about 4% and the Repairs and Maintenance Expense is increased by 2.5%.
- Professional Fees and Administrative Expenses in total are relatively the same as 2014.
- The reduction in Occupancy Expense is due to the property manager now utilizing office space at Village Park, rather than Monument Business Center.
- Capital Expenditures include \$3,500 for asphalt repairs, \$10K for sidewalk repair, and \$12,500 for handrail replacement.
- This property should generate approximately \$55K in Operating Cash Flow, which can be used to pay down the Deferred Developer Fee plus interest.

Linden Pointe

- Rents for 2015 are comparable to 2014 and vacancy loss projections remain at 3%.
- Miscellaneous tenant charges are reduced based upon current year experience.
- Overall, revenues are up by less than 1%.
- Operating Expenditures are increased slightly.

- Compensation is up by more than 16% because additional staff time is budgeted for more property management services.
- Utilities are projected to increase by around 3.5%, primarily due to a bump in electricity use related to the parking lot lights that pushed the kilowatt hours used into a higher rate category.
 - The goal is to reduce the parking lot lighting cost by working with energy conservation programs sponsored by Xcel.
- Repairs and Maintenance Expense decreased slightly and Professional Fees increased due to information technology and accounting fees.
- A reduction in Occupancy costs is because the leasing manager now utilizes the Village Park leasing office, rather than Monument Business Center.
- The Bad Debts budget is reduced to \$5K based upon current year experience.
- Interest Expense decreased because of some payments made on the GJHA soft loans.
- Capital Expenditures include \$2,500 for asphalt repairs, \$6K to add concrete around the playground, and \$26,500 to paint handrails and landings and to stain beams and under decks.
- Linden should generate approximately \$70K in Operating Cash Flow which can be used to pay down soft loans to GJHA.

Village Park

- Rents are modified downward to reflect the new utility allowances in place.
- The 2014 Non-rental Income includes a one-time amount of \$17K in cooler rebates, accounting for the overall revenue decline from 2014 to 2015.
- Utilities Expense is increased by 4%.
- The budget is increased by 16% to allow for increased Repairs and Maintenance as the project goes out of the original warranty period.
- The budgets for Compensation, Professional Fees and Administrative Expenses are reduced because the initial lease-up cost experienced in 2014 are not likely to be repeated.
- Interest Expense is based upon the permanent loan and the interest on the GJHA soft loans.
- It is anticipated that approximately \$46K can be paid out of cash flow on the Deferred Developer Fee.

With no questions, a motion made by Tami Beard and seconded by Scott Aker for *Resolution No. 2014-12-03 Adopting Budgets for Calendar Year 2015 for Arbor Vista, Linden Pointe, and Village Park* received unanimous approval.

6. Discuss Upcoming Annual Meeting on January 26, 2015

Lori Rosendahl asked Board Members for their thoughts on the format for the upcoming Annual Meeting scheduled for January 26, 2015. Brief discussion transpired covering topics including: a format comparable to the 2014 Annual Meeting, an external speaker versus no external speaker, a video highlighting clients sharing their stories similar to last year, attendees being reminded of what the Agency does and how effective the dollars are being spent, correlate the Agency's 40th anniversary outreach efforts with the Annual Meeting, and focus on one GJHA program instead of the entire Agency. Staff will proceed with the suggestions and keep the Board apprised.

In keeping with celebrating the 40th anniversary of the Agency and its prior approved Community Outreach Plan, Lori requested the group's input on posters displayed at the Meeting. These posters illustrate personal stories by clients served by affordable housing. Chosen posters will be placed throughout the Grand Valley to be shared with the public as part of the GJHA show case to the community to recognize the benefits provided by affordable housing.

7. Other Business

VASH Vouchers

To answer the question asked by Barbara Traylor Smith, Lori Rosendahl said that GJHA lease-up progress is being made on the Veteran Affairs Supportive Housing (VASH) Vouchers. Currently, an additional 13 Vouchers are leased up with 2 new ones recently issued. Lori stated that many states are experiencing difficulties with the lease-up process, but statistics show GJHA is doing better than most. Lori also mentioned that the Colorado Governor's Office has hired a consultant to help resolve the Colorado VASH referral problem.

Epstein (Highlands Apartments) Neighborhood Meeting

A Neighborhood Meeting held on November 24, 2014 for the Epstein property (Highlands Apartments) addressed the proposed development of the vacant land by GJHA. Jody Kole stated that a few neighbors attended, including Board Member Scott Aker. Attendees gave encouraging remarks in support of the development.

8. Adjourn

With business complete, the joint November/December Board Meeting adjourned at 1:11 p.m.

