

MINUTES

Grand Junction Housing Authority
Board of Commissioners' *Special Meeting*

March 2, 2004
Conference Room
1011 North Tenth: 5:30 p.m.

1. Call to Order

On March 2, 2004, a *special* Grand Junction Housing Authority (GJHA) Board Meeting was called to order at 5:37 p.m. by Board Chair, Steve Heinemann. Kathleen Belgard, Harry Butler, Gabe DeGabriele, Erin Ginter, Gi Moon, Jody Kole, Kristine Franz, Greg Hancock, and Becki Tonozzi were in attendance.

2. Review/Discuss Linden Pointe Development Budget

A special Board Meeting was requested to update Board Members of the current status of the Linden Pointe Development budget, advise them of the semi-proposed course of action, and request direction/decisions.

Jody acknowledged that during the development process of the Linden project, financial information was requested in so many different formats by various entities that it was easy for items to get misunderstood/misrepresented when transferring data. She cited a few examples for better clarity.

She mentioned that some cost increases have already been discussed, and that a revenue increase has been known but not actually discussed. Originally, the project was budgeted for \$5.8 million dollars in equity but, because of tight investor competition, will receive considerably more equity than that, which will be roughly \$7.2 million dollars. It seems that the tax credit investors are willing to pay higher dollars, but not without contingency conditions. They are as follows:

- Payments will be received later in the process -- that increases the Agency's construction borrowing costs
- Tax credit investors aren't willing to take any risks -- the GJHA would assume all the risks; examples were cited (cost overruns)

Prior to discussing the sources and uses of construction funds, Greg Hancock, GJHA Development Director, distributed several *Reports* for reference. In reviewing the *Estimated Development Costs Report*, Greg reiterated that prior development costs were reported as \$11.5 million but now are approximately \$300,000 more due to a jump in the land cost (identified in the bank appraisal) and a calculation error (in the Colorado Housing and Finance Authority (CHFA) spreadsheet) that threw off the debt coverage

Minutes (contd.)

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ratio. The *Sources of Financing Report* was reviewed identifying a \$400,000 funding shortfall, the *Unit Mix Report* was assessed, the *Operating Expenses Report* was examined, and the *Initial Pro Forma* was looked at. These documents represent the latest snapshot of the development budget factoring in two primary items not yet committed – City of Grand Junction and Mesa County (City/County) monies and the \$400,000 funding shortfall.

As Jody distributed a *Sources* document, she mentioned that she and Greg had looked at the numbers from different angles, but that ultimately the answers were the same, and she spoke to that document by referencing line items and the subsequent number changes over time. The recap showed a gap of \$642,000 and represented the same \$400,000 funding shortfall, when factoring out the City/County monies, as previously identified.

Lengthy discussion ensued addressing the following topics:

- Possibility of applying for funding elsewhere if the resubmitted grant application is declined a second time from the Federal Home Loan Bank (FHLB)
- Reducing the construction costs per unit by approaching the City to cover some of the developmental costs and/or to eliminate certain requirements, thereby qualifying for FHLB money
- Reduction of contingency amount
- Known costs that aren't going to change versus costs that could change
- Option of approaching Shaw Construction (general contractor) to “sharpen the pencil” to lower construction costs

Greg stated that the total construction budget is \$10,153,000 and identified costs included in that number. Further dialogue was held on various budget items with extensive discussion on the soil testing necessity, cost, and liability issues.

Gabe DeGabriele left the meeting at 6:13 p.m.

The *Budget Status Log*, supplied by the general contractor, was distributed for review and discussion. This *Log* represented proposed additions or deletions to the existing construction budget. Extensive review and discussion was held on each line item of this *Log* with clarification given to various items as needed.

During the review process of this *Budget Status Log*, Harry Butler left the meeting at 6:28 p.m. followed by Kathleen Belgard leaving at 6:33 p.m.

Minutes (contd.)

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The group was reminded that the units are \$30,000-\$40,000 above the per unit cost that funding sources look at for developments such as this. It was felt that this overrun was attributed to a variety of reasons; high land development costs, increased unit square footage due to space for individual unit washers/dryers, and land set aside for a future club house and a child care facility instead of constructing more housing units. During this discussion, Greg handed out site plans for easy reference.

The group agreed that Greg should approach the general contractor and request a proposal to lower construction costs, and that the proposals offered on the *Budget Status Log* would be declined with the following exceptions:

- Add \$5,000 for handicap tubs in each handicapped accessible bathroom
- Steve Heinemann will research the costs of “Udell” cabinets as opposed to the cabinets currently being considered
- Sheet vinyl flooring versus ceramic tile flooring will be left open for further discussion as the project progresses

Jody reiterated that everyone is becoming increasingly concerned about the delayed construction start and getting utilities in before the water table becomes a bigger issue!

Additional discussion followed on the GJHA’s capital contribution to the project and how and when that might happen.

Jody announced that Linden Pointe will be on the City Council’s Agenda for the first meeting in April, and cautioned that a definite answer hasn’t been received yet from either the City or County on the level of funding commitment. There was some discussion on how the City might contribute like possibly deferring development costs and/or rebating sale/use tax on construction material. It was also pointed out that because of increased requests from various entities for City/County governmental contributions toward affordable housing, a decision has recently been made to establish a county/municipality-wide policy with regards to creating development incentives. Because of this, it was felt that a financial commitment decision from the City/County to this project could be postponed until this policy has been formulated. Due to the critical construction timeline of Linden Pointe, various solutions were discussed. It was agreed that now is the time for Board Members to take the opportunity to meet one-on-one with City Council Members and request immediate support. Board Members volunteered to contact City Council Members individually and solicit their support.

3. Adjourn

With everyone in agreement, this special Board Meeting was adjourned at 7:31 p.m.

