

MINUTES

Grand Junction Housing Authority
Board of Commissioners' Meeting

Monday, September 26, 2005
Housing Authority Offices
1011 North Tenth Street
11:30 a.m.

1. Call to Order

Board Members Teresa Coons, Gabe DeGabriele, Erin Ginter, and Gi Moon and Staff Members Jody Kole, Kristine Franz, Virginia Garcia, Mary Gregory, Greg Hancock, Lori Rosendahl, Becki Tonozzi, and Jon Wickre were present when the regular September Board Meeting for the Grand Junction Housing Authority (GJHA) was called to order at 11:34 a.m. by Board President Steve Heinemann. Sheryl Trent joined the meeting later.

2. Consent Calendar

Upon additional clarification given to a few Board questions pertaining to the Tenant-Based Rental Assistance Program by Mary Gregory, GJHA Special Projects Coordinator, the Consent Calendar was adopted unanimously with a motion from Gi and a second from Teresa.

Sheryl Trent, Assistant to the Grand Junction City Manager, arrived at 11:39 a.m.

3. Present Supplemental Data on Activities Impacting GJHA Budget for Fiscal Year End September 30, 2005

GJHA Finance Director Becki Tonozzi referenced her document, *Supplemental Data on Activities Impacting Budget for FYE 09-30-05*, and highlighted the most pertinent items that have transpired and affected the budget adopted in the fall of 2004 for Fiscal Year End 2005.

She emphasized that there were no funding problems in making asset purchases and none of the items had a negative impact on the appropriate Programs because of a number of positive variances throughout the Programs.

Becki also reported that the fiscal year is expected to end without a negative variance in the Compensation Expense category, which includes retirement contributions, taxes and insurance pertinent to employee benefits and employer payroll obligations.

Grant Income for Linden Pointe Development, not budgeted for and not even available to GJHA, "passed through" directly to Linden Point in the form of cash flow notes or "soft loans". The Developer Fee Income for Linden in the amount of \$350,000 has been

“booked” as a receivable with approximately \$130,000 of that deferred and paid over time from net cash flow. It is unclear how much of the remaining \$220,000 will be available due to the rising interest rate on the Linden Construction Loan, which should be converted to its permanent mortgage by January 15, 2006.

4. Present and Request Approval of Fiscal Year End September 30, 2006 GJHA Annual Budget

Prefacing the 2006 Fiscal Year Budget presentation, Becki referenced her September 21st memo regarding the budget overview. In prior years, current fiscal year earnings were sufficient to cover both Operating Expenses and Capital Improvements/Replacements. With those revenues shrinking, or remaining stagnant, it is now necessary to routinely tap the Replacement Reserve Accounts to cover certain property upgrades and improvements. In addition, prior year Retained Earnings/Operating Reserves are being tapped. This year, a large negative bottom line exists for the Homebuyers Education (HBE)/ Homeownership (HO) Program and Voucher Program. With no questions from Board Members regarding additional memo content clarification, the budget presentation continued with Programs separately reviewed and thoroughly discussed. Discussion summarization follows:

The *Combined Operating Report Budget for the 12 Months Ending September 30, 2006* outlined the 2005-2006 Fiscal Year, Program by Program. Backup documentation, consisting of historical figures for the last three years, was provided for easy comparison. It was noted that the Compensation Expense line item has been increased over \$100,000 and spread across all Programs, due to the projected hiring of additional personnel and those associated costs plus expected higher Workers Compensation premiums.

General Fund

- It was noted that all programmatic Professional Fees Expense line items include accounting fees (which have been increased from last year) and computer fees (which are the same as last year and spread across all Programs, including Linden Pointe) and become General Fund Income. Since a sizable portion of the General Fund Interest Income is accrued interest and not really available, it may be necessary, with Board approval, to use the Incentive Performance Fee of approximately \$21,000 from Ratekin Tower for the General Fund to maintain a positive bottom line. The additional Linden Pointe Developer Fee of up to \$220,000 hasn't been included in the cash flow for the General Fund.

Homebuyers Education/Homeownership

- The GJHA Housing Counselor will be 100% dedicated to the HBE/HO Program and a Leasing Agent position is budgeted to this Program for 25% of a full time employee (FTE). Additional clarification was given on the responsibilities of these two staff positions. It was also noted that this is the first year a Management Fee will be assessed to the HBE/HO and the Homeless Shelter Building Programs.

Of the budgeted \$32,076 in projected Grant Income, only \$4400 is currently committed. Efforts are underway to fund this Program locally and through the Colorado Housing and Finance Authority (CHFA), the Grand Valley Housing Initiatives (GVHI), United Way, and the Colorado Association of Realtors Housing Opportunity Foundation (CARHOF). Currently, there is an overall Programmatic budget shortfall of \$30,339. GJHA Staff will approach the City of Grand Junction, Freddie Mac, and others for additional funds to support this Program. Jody interjected that from the beginning, Freddie Mac encouraged GJHA to believe that substantial financial assistance would be offered for the startup of the Employer Assisted Homeownership Program; however, the amount is uncertain. Jody mentioned that in other cities, the Freddie Mac assistance has been in the neighborhood of \$40,000-\$50,000 so even if it is less than that, with the other grant sources, the gap should easily be bridged. A request for funds will also be submitted to the City for the Tenant-Based Rental Assistance Program.

Homeless Shelter Building

- The Homeless Shelter Building has a positive bottom line from building rental income received from HomewardBound. Erin asked if there was an Operating Reserve Account to which Jody responded that to the extent that any building improvements are not covered by the tenant through the lease, net income would be available for major building improvements/repairs. Earnings from prior periods have not been set aside in a separate Reserve Account. Erin requested that, in the future, a cap be considered and established on the Reserve Account Funds so that eventually money can be given back to the Shelter, as it was never the intention to make a profit off the Shelter. Limited discussion ensued regarding General Fund monies spent to promote and fund acquisition and renovation of the Shelter. The Property Deed is restricted for a Homeless Shelter for 50 years. It was decided that during next year's budgeting process, this Program will be re-evaluated for the possibility of funds being specified for the Operating Reserve Account.

Minutes (contd.)

Page 4

Lincoln Apartments

- Lincoln Apartments has a positive bottom line and is absorbing more costs, including Management Fees. Monies won't be available for the Replacement Reserve Account unless it is drawn from the Cash Balance, which totals \$65,000 -\$70,000.

Ratekin Tower Apartments

- The review of Ratekin Towers Apartments began with Becki reminding everyone of a HUD requirement - if, at year end, there is a positive bottom line, 75% of the surplus cash will go to pay down the second mortgage and 25% will go to the Agency's General Fund. Clarification of the Laundry/Asset Replacement Reserve Account was given by Becki and Jody who explained that this Account was established years ago at the request and restriction of the Board to be used primarily for laundry equipment purchases. With these funds restricted for only Ratekin's benefit, needs and planned improvements were shared with the group. With the reserve amount growing over the many years, the Account balance is now \$71,000. Erin asked if this Reserve Account could be used for tenant services that might be needed but are not currently being met, which prompted discussion on the services that are being provided. A monthly deposit to the Replacement Reserve Account is mandated by HUD at the time the monthly mortgage payment is made. Currently, that monthly deposit is \$4,056 with the total Replacement Reserve Account at \$82,500. This money will be used to cover projects and items on the Mark To Market Physical Condition Assessment Schedule.

Walnut Park

- Again, mandated by HUD, any end-of-year surplus cash for Walnut Park goes into its Residual Receipts Account. With that activity continuing over the years, that Account balance is now \$818,000. Becki noted that at the end of the mortgage (in approximately nine years) the GJHA will control those Residual Receipts monies. Jody reminded the Board that in the past the Agency has been able to borrow money against this Account and could again if the need arises. The Board has previously considered use of these funds for expansion of Walnut Park. Some unit improvements are needed at this facility so the Replacement Reserve monies will be used for those expenses.

Capital Terrace

- Increased administrative time and professional fees have been budgeted to Capital Terrace due to the future demolition/disposition planning efforts that will require staff

Minutes (contd.)

Page 5

- time. The increase in Operating Subsidy hasn't been finalized by HUD, and it's uncertain when that might happen. Gi wondered if there were any upgrades to the six individual houses that could be done that would increase the value. Jody explained that the only thing the houses lacked that might increase the marketability was garages instead of carports, but questioned the return on investment.

Vouchers

- GJHA Staff reiterated that the Agency is entitled to, but has not received, \$43,000 for each of FY 2004 and FY 2005 because of errors in HUD's calculation of Administrative Fees. Becki and Jody stated that HUD provided commitment to wire only \$18,000 of the shortfall amount. It is uncertain if or when the remaining funds will be received. Senior Staff continues to challenge this HUD ruling and to work with HUD's Financial Management Center and Senator Allard's and Senator Salazar's offices for resolution.

Additional explanations of budget figures continued as Becki stated the HUD Housing Assistance Payment (HAP) revenue as well as the HUD Administrative Assistance (Admin) budget amounts were left stationary and equal to the level received last year. In the past, HUD's Voucher funding commitment to GJHA was 880 "Baseline" Units. In the past two years, the commitment to fund a Baseline, or minimum number of Vouchers has been eliminated in favor of a set block-grant approach. The current HUD Admin Fees allocation is \$50.35 per unit, down \$9 per unit-month from 2003-2004 which equates to a cut of \$95,040 per year. Gi felt another reason for concern is from a lender's perspective on how much of a credit line to issue the Agency since, according to the audited set of statements, its income is trending in the wrong direction. Discussion ensued covering topics such as subsidizing the troubled Programs by building a new development for market rate rent (it was noted that the rental market doesn't command prices that will support new construction), and doing acquisition rehab and redevelopment of Public Housing.

Family Self-Sufficiency

- One FTE will be budgeted 75% to the Family Self-Sufficiency (FSS) Program and the remaining 25% to the Tenant Based Rental Assistance activities in the Voucher Program if funded. The HUD grant has been applied for but hasn't been approved yet. However, the United Way funding for \$2,190 has been granted. (Note: As of October 28, 2005, notice was received that GJHA will receive FSS funding for FY 2006.)

Housing Advocate

- The Housing Advocate position has been funded through the Mesa County Department of Human Services and United Way in the past, and projections assume the same funding sources will renew for another year.

Upon the conclusion of the budget presentation, extensive discussion transpired covering a variety of topics as referenced below:

In an effort to meet the current/future funding shortfalls and generate additional capital, GJHA continues to proactively look for ways to be more entrepreneurial. Positive activities that the Agency is currently pursuing include the buying/selling of residential properties to create additional income, and the creation of a for-profit entity to provide property management services/residential rehab services for private property owners. Some individuals felt there is a need to be more active yet in other ventures.

In lieu of the (\$54,044) budget shortfall, options other than budget approval were discussed by the Board, acknowledging the difficulty in developing a plan without a definite financial HUD commitment. Topics included eliminating the Workforce Housing and Tenant Based Rental Assistance Programs (which would be counter productive to the GJHA mission), and asking for funding from the City, all the while making sure HUD is aware of the negative budget impact due to its calculation errors and funding cuts.

Key consideration for Board Members was whether they were willing to use a portion of the Linden Pointe's Developer's Fee for the budget shortfall.

Gi made a motion to approve the budget as presented adding that using the Developer's Fee for Program shortfalls would be considered, if necessary, and reiterated that HUD be made aware that the Voucher Program is suffering from inadequate funding as claimed for the last two years. With a second from Teresa, discussion continued.

Those gathered agreed that adopting an operating budget that shows two Programs in a deficit was very distasteful, but may help make the case to HUD that the Voucher Program cannot be sustained at this level of cut-back.

With discussion concluded and a motion on the floor, a unanimous voice vote approved the budget.

Jody and the Board applauded Becki for the remarkable job of developing the budget and reflecting a true picture of the financial challenge that lies ahead.

5. Discuss the Adoption of 2005-2006 Modified Payment Standards for the Voucher Program

A memo dated September 26, 2005 from Lori Rosendahl was discussed after a revised page two of the memo was distributed. Lori announced that HUD recently published its 2006 Proposed Fair Market Rents (FMR) and that HUD allows Public Housing Authorities to set their payment standards between 90% - 110% of the published FMR. Lori continued to explain how the GJHA 2005-2006 Payment Standards for the Voucher Program were reached. Further justification and discussion transpired pertaining to the necessity of an additional increase for the two-bedroom units.

Jody praised Lori and her staff for all their hard work in getting the average per unit cost below the HUD mandated cost number.

Board Member Teresa Coons also thanked Lori for her participation in setting up a focus group for the community's Methamphetamine Task Force efforts.

With discussion complete, Gabe moved that the 2005-2006 Modified Payment Standards for the Voucher Program be adopted as submitted. With a second from Gi, the motion was unanimously approved.

6. Discuss Selection of Realtor to Provide Real Estate Services and Request Board Authorization to Proceed

Greg Hancock, GJHA Development Director, gave an update on the realtor selection process. Originally, it was thought that one realtor would be chosen to represent all interests of the GJHA, and would handle both residential and commercial transactions. However, because of the differences in the technical expertise and specificity needed in both areas, the Realtor Selection Committee (Steve, Gi, Kathleen, Jody and Greg) concluded that two realtors, one for residential and one for commercial, would better serve the needs of the GJHA. A second RFP for the commercial side will be released shortly.

Six respondents to the Request for Proposal (RFP) were interviewed. Greg announced whom the Committee had selected to handle the residential transactions and continued outlining the particulars of the negotiated potential agreement. The Board was asked for approval to enter into a three-year contract (contract length was previously agreed upon) with this real estate firm to represent the GJHA in single family home real estate transactions.

Gabe reminded everyone that one of the Agency's goals was to become more self-sustaining, given the recent and future governmental funding cuts. Keeping that

objective in mind, he felt reconsideration should be given to the one RFP respondent that was disqualified earlier from the pool of possible candidates due to the *City of Grand Junction's Ethical Standards for Members of the City's Boards, Commissions and Similar Groups*. Based upon the fact that this company can provide both residential and commercial real estate services with no personal, spousal, or company financial gain (proposal indicated that only a small amount of pass through administrative costs would be billed to Agency), he suggested a waiver request to the *City's Ethical Standards for Members of the City's Boards* be submitted to the Grand Junction City Council for consideration of this special situation. Follow-up discussion included public perception of a possible conflict of interest and time delays in rejecting all bids and beginning again.

Gi expressed concern over issuing a three-year contract which prompted additional discussion. A one-year contract with a one-year renewal option was suggested and positively received.

Individuals shared their disappointment in the level of response to the RFPs, and ideas to improve future RFP advertising were mentioned.

Upon conclusion of a very lengthy discussion, Teresa moved that the proposal from Doyle & Associates Real Estate Services, LLC, the recommended real estate firm for residential services, be accepted for a period of one year with a one-year extension option. With a second from Gi and one opposing vote (Gabe), the motion carried.

Virginia Garcia, GJHA Asset Manager, left the meeting at 1:35 p.m.

7. Other Business

Local Relief Efforts for Hurricane Katrina Evacuees

Lori Rosendahl, Section 8 Supervisor, informed the group that housing funding for up to one year, in three-month increments, was given to the Colorado Division of Housing (CDOH) from the Federal Emergency Management Agency (FEMA) to help displaced Hurricane Katrina evacuees. The CDOH chose Catholic Charities in Denver to administer the funds. In the absence of a local Catholic Charities office, Lori is serving as the Grand Junction contact volunteer. Lori mentioned that the Agency has dealt with nine different families and housed three families.

8. Executive Session to Discuss Personnel Issues – C.R.S. 24-6-402(4)(f)

Board Members moved into Executive Session to discuss personnel issues at 1:40 p.m. with a motion from Gabe, a second from Gi, and a voice vote. The meeting adjourned upon conclusion of the Executive Session.

