

MINUTES

Grand Junction Housing Authority
Board of Commissioners' Meeting
Regular Meeting

Monday, October 26, 2009
Housing Authority Offices
1011 North Tenth Street
11:30 a.m.

1. Call to Order

The regular October Grand Junction Housing Authority (GJHA) Board Meeting was called to order by Board Chair Patti Hoff at 11:36 a.m. with the following individuals in attendance: Board Members Teresa Coons, Erin Ginter, Tim Hudner, Ora Lee, and Paul Marx; Staff Members Executive Director Jody Kole, Executive Assistant Kristine Franz, Development Director Don Hartman, Operations Director Lori Rosendahl, and Finance Director Cheryl Sweers. Steve Heinemann joined the Meeting later.

2. Consent Calendar

Prior to the approval of the Consent Calendar, clarification was given on a couple of details regarding Consent Calendar items. Teresa noted that the approval of exemption from audit is specifically for the Downtown Housing Effort (DHE) only and not GJHA. Addressing Ora's inquiry regarding why the DHE exemption is requested, Jody stated that the fund has no activity other than receiving interest income and that an exemption has been requested from the State of Colorado for several years. Ora asked about the annual bad debt write-off as a percent of total tenant rent. Cheryl will gather that information and forward it to the Board.

With the above items satisfactorily addressed, Approval of the Consent Calendar, consisting of the *Adoption of Minutes of August 24, 2009; Approval of Resolution No. 2009-17 Approving an Exemption from Audit for Fiscal Year 2009 for the Downtown Housing Effort, A Joint Venture Between the Housing Authority of the City of Grand Junction, Colorado and the Grand Junction, Colorado Downtown Development Authority; and Approval of Resolution No. 2009-18 Authorizing the Write-Off of Bad Debts* was made by a motion from Teresa, a second from Paul, and a unanimous vote.

Steve Heinemann joined the Meeting at 11:40 a.m.

3. Presentation of Quarterly Financial Statements Ended September 30, 2009

Cheryl began the financial presentation by addressing the quarterly financial statements for all GJHA Programs first. The following specifics were highlighted:

Combined Financial Statements

Income

- Line item *Dwelling Rental Tenants* is \$61K+ higher than budget due to the June purchase of the Bunting property since there was no operating budget developed for this property for 2009.
- Line item *Maintenance Labor Income* is \$26K+ higher than budget because of unbudgeted hours spent at the Bunting property.
- Line item *Grant Income DOH TBRA* is \$29K+ lower than budget due to serving fewer clients than anticipated.
- Line item *Earned Housing Assistance Payment (HAP)* is \$62K+ higher than budget due to adjustments in funding levels authorized by the U.S. Department of Housing & Urban Development (HUD).
- Line item *Earned Admin Fees* is \$169K+ higher than budget due to the request and receipt from HUD of an additional \$125K in Admin Fees that will be used to cover the HAP shortfall.

Expense

- Line item *Compensation* is \$21K+ lower than budget due to budgeting 100% of employees for health insurance and not everyone participates.
- Line item *Utilities* is \$23K+ lower than budget due to lower than anticipated gas increases that affects Ratekin Tower and Walnut Park.
- Line item *Professional Fees* is \$78K+ higher than budget due to legal fees related to the Ratekin Tower refinance (unbudgeted and higher due to unexpected complexity) and environmental issues related to the Bunting property purchase.
- Line item *Administrative Expenses* is \$22K+ lower than budget due to lower travel/training expenses and efforts to control office supplies, etc.
- Line item *Non-Operating Income* is \$1,546K+ higher than budget due to:
 - The \$275K transfer to Bunting from Capital Terrace proceeds and Vouchers Admin.
 - \$600K from the Department of Human Services for the Bunting property purchase.
 - \$361K from the City of Grand Junction for the Bunting property purchase.
 - \$30K from the Daniels Grant for capital improvements at the Bunting property.
 - \$684K+ was Earned Developer Fee from Arbor Vista.
 - \$390K+ was Earned Developer Fee on General Fund.

Supporting Data

- Housing Advocate
 - Transfers have been less than anticipated and are relying on prior accumulations of cash to pay for current cash shortfalls.
- Houses
 - Because of unexpected vacancies, \$2,300 has been transferred in from the General Fund.
- Bookcliff Squire
 - Due to project development delay, funds haven't been transferred in as anticipated.
- Capital Terrace
 - Transfers out are for the Arbor Vista Sponsor Loan and the purchase of the Bunting property.

With the current economic down turn in the Grand Valley, it has been a real challenge for staff to keep all GJHA properties completely occupied. To the staff's credit, currently there are only a few GJHA units vacant, which include the Patterson condo, three Tax Credit Units, and several market rate units. As the Patterson condo has been vacant for a couple of months, Erin suggested that consideration might be given to lowering the rent even further to get the house rented. Lori announced that the Veterans Affairs Supportive Housing (VASH) Vouchers are close to being issued. It is hoped that these VASH Voucher recipients might choose to rent either the available units at Lincoln Apartments or Bunting Apartments, which will help fill the Agency's vacant market rate units. Tim's question regarding, "why is there such a high vacancy rate in Tax Credit Units?", was answered by Lori as she identified the following two factors that play a part:

- The lease-up process can be lengthy because it usually involves interviewing numerous families in order to find the one family who income qualifies for the specific unit available;
- Also, a strict tenant screening process is adhered to, thereby eliminating future potential problems.

Summary of the Cash Activity

- Deposits were higher than normal with the Developer Fee from Arbor Vista.
- The pay down of the Linden Pointe Land Loan.
- Vouchers requested, and received Admin Fee Funding.

Cash Balances

- As part of the Ratekin Tower refinance, a Rehab Escrow Account was set up to pay for energy improvements done by Johnson Controls.
- Because of the pay down of the Linden Pointe Land Loan, Linden's Operating Cash was reduced.
- Per the Partnership Agreement, Arbor Vista's required Operating Reserve increased by the required deposit.
- Arbor Vista's Operating Cash was reduced due to the Developer Fee paid to GJHA and the pay off of the short term loan made from the Ratekin Reserve in GJHA's General Fund.
- The Ratekin Reserve increased as a result of the pay off of the short term loan.

Combined Balance Sheet

- Line item *Reserved Allocated Cash* increased primarily from the \$125K requested and received in Admin Fees for Housing Choice Vouchers offset by HAP expenses in excess of HAP received.
- Line item *Unreserved Allocated Cash* increased \$156K+ primarily as a result of the Developer Fee from Arbor Vista and the pay down of the Arbor Vista Land Loan interest/note.
- Line item *Interest Received Arbor Vista* showed an increase due to normal operations.
- Line item *Prepaid Expenses* showed a decrease due to recording the refinance of Ratekin Tower.
- Line item *Development in Progress* showed an increase due to professional fees relating to building the additional twelve units at Walnut Park.
- Line item *Buildings and Buildings Improvements* showed an increase due to installation of new heat pumps at Ratekin Tower.
- Line item *Furniture, Equipment & Machinery* showed an increase due to the purchase of two vehicles.
- Line item *GJHA Reserve for Ratekin* showed an increase due to the payback of the temporary loan to Arbor Vista.
- Line item *Rehab Escrow Reserve* showed an increase and the *Replacement Reserves* line item showed a decrease due to the refinance of Ratekin Tower and planned energy improvements.
- Line item *Notes Receivable Linden Pointe: City/County/CDOH/Land* showed a decrease primarily due to the pay down of the land loan from excess cash.
- Line item *Notes Receivable Arbor Vista: Sponsor/City/CDOH/AHP/Dev/Ratekin* showed an increase primarily due to an increase in the deferred Developer Fee.

4. **Presentation of Quarterly Financial Statements Ended September 30, 2009 for Arbor Vista, Crystal Brook Townhomes, and Linden Pointe**

Operating Statements

Crystal Brook

- Line item *Vacancy Loss* is higher than anticipated, due to terminations, loss of jobs due to the economy, etc. The freeze on issuing Vouchers is also affecting GJHA's ability to fill vacant units at the Tax Credit Properties.
- Line item *Compensation and Benefits* is lower than budget due to the vacant Leasing Agent position.
 - Note: The Leasing Agent position has been filled.

Linden Pointe

- Line item *Residential Rents-Tenants* is higher than budget due primarily as the result of the ability to charge Voucher Holders the Fair Market Rent which is higher than the designated Low Income Housing Tax Credit (LIHTC) rent.
- Line item *Vacancy Loss* is higher than anticipated and is the same scenario as Crystal Brook.
 - Acknowledging that this loss is for a nine-month period, Tim asked what future vacancy projections reveal. Jody confirmed that vacancies have been trending up due to the economy and job loss. Addressing Tim's question regarding how much worse was the third quarter loss versus the first quarter, numbers show the third quarter to be the worse; however, vacancies are slowing. With tenant waiting pools for the Tax Credit properties being created by the new Leasing Agent, it is anticipated that the fourth quarter vacancies will be considerably less.
- Line item *Compensation and Benefits* is lower than budget primarily due to the vacant Leasing Agent position.

Arbor Vista

- Line item *Residential Rents* is higher than budget due to earlier occupancies than originally planned because of early completion of the project. Voucher Holders in some units enable GJHA to charge a higher rent than could be charged to non-Voucher Holders.
- Line item *Compensation and Benefits* is lower than budget due to the open Leasing Agent position.
- Line item *Utilities* is higher than budget due to higher utility costs than planned for.

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- Line item *Administrative* is higher than budget due to:
 - Higher than expected costs for phone lines for monitoring fire sprinkler system in each of Arbor Vista's nine buildings. Zero was budgeted to monitor the lines for the sprinkler system.
 - The final installment of tenant relocation costs were budgeted on Acquisitions and Development instead of Arbor Vista.
- Line item *Depreciation* was recorded for the first quarter of 2009 while no budget estimate was prepared.

Balance Sheets

Crystal Brook

- Normal operating activities.

Linden Pointe

- A decrease in Operating Cash and the Land Note Payable is a result of the pay down of the note from Surplus Cash.

Arbor Vista

- A decrease in cash is due to the payment of Developer Fee and pay back of the Ratekin Reserve on the General Fund loan.
- Line item *Construction Cash* is zero due to completion of construction and closing of the Construction Cash Account.
- Line item *A/R Other* decreased due to reversal of year end audit adjustments.
- Line item *Construction in Progress* was zeroed out due to completion of construction.
- Line item *Operating Reserves & Certificate of Deposit* increased primarily from the required deposit of \$212K per the Partnership Agreement.
- Line item *A/P GJHA* decreased due to reversing a year-end audit adjustment for the 10% construction contingency.
- The SMART Loan and HOF Loan were set up as Arbor Vista's permanent financing.
- The construction loan to Bank of Colorado was paid off at closing of the permanent financing.
- The Enterprise Capital Account increased due to the equity installments paid in, as required in the Partnership Agreement.

Operating Statement and Balance Sheet for Doors 2 Success

- Shows funds spent and then reimbursed.

Financial Indicators

- Vacancy losses are the most notable variance. Overall, the Net Operating Income is very favorable.

5. Resolution No. 2009-19 Adopting Revisions to the Budget for Calendar Year 2009 for Arbor Vista, Crystal Brook Townhomes, and Linden Pointe

Adjustments were necessary to bring the 2009 Budget for the Tax Credit Properties into alignment with the 2010 GJHA Budget, approved in August 2009. Because the GJHA's fiscal year runs from October to September, GJHA's 2009 budget included activity for October, November, and December of 2009, which affects the 2009 calendar year budget of Crystal Brook, Linden Pointe and Arbor Vista. The net effect was to decrease the budgeted Net Operating Income of Crystal Brook, Linden Pointe, and Arbor Vista by \$436.00.

Resolution No. 2009-19 Adopting Revisions to the Budget for Calendar Year 2009 for Arbor Vista, Crystal Brook Townhomes, and Linden Pointe was approved with a motion by Teresa, a second by Erin, and a unanimous vote.

6. Resolution No. 2009-20 Adopting Budgets for Calendar Year 2010 for Arbor Vista, Crystal Brook Townhomes, and Linden Pointe

General highlights for the Annual Budget for Fiscal Year 2010 Tax Credit Properties were noted by Cheryl and are as follows:

- Referencing the baseline assumptions, rental rates and vacancy percentages reflect a conservative approach due to the experienced decline in rent amounts and increased vacancy rates.
- Maintenance rates changed from a single rate of \$31/hour to a two-tier rate of \$40/hour for maintenance repairs and \$25.50/hr. for cleaning/janitor to more accurately reflect the cost differential.
- The Baseline Assumption Sheet was briefly reviewed.

Crystal Brook Townhomes

- The Budget reflects a net loss of \$72K+ but an operating cash flow of \$7K+.
- Capital expenditures include painting units, landscape rock, irrigation system, building up the irrigation ditch, and roofing repairs.

Linden Pointe

- The Budget reflects a net loss of \$333K+ but an operating cash flow of \$23K+.
- Capital expenditures include landscape rock, sidewalk, and a storage shed.

Arbor Vista

- The Budget reflects a net loss of \$576K+ but an operating cash flow of \$44K+.
- Capital expenditure is \$1,500 for landscape boulders.
- Other loan payments – surplus cash to GJHA General Fund.

In addressing Tim's question regarding how the losses compare to last year, Cheryl referenced the budget sheets for the Tax Credit Properties, noting consistency for the last three years.

With the review process complete, a motion was made by Paul, seconded by Erin, and unanimously approved to accept *Resolution No. 2009-20 Adopting Operating Budgets for Calendar Year 2010 for Arbor Vista, Crystal Brook Townhomes, and Linden Pointe.*

7. Resolution No. 2009-21 Approving the Voucher Payment Standards of 106% of the Current Fair Market Rents

Lori explained to the group that HUD has recently published the 2009/2010 Final Fair Market Rents (FMR) and allows public housing authorities to set their payment standards between 90% - 110% of the published FMR. While HUD is allowing a small increase in the published 2009/2010 FMR, staff proposed to leave the GJHA Payment Standards at 106%, the same rate as they were in 2008/2009.

With a motion by Erin, a second by Steve, and a unanimous vote, *Resolution No. 2009-21 Approving the Voucher Payment Standards of 106% of the Current Fair Market Rents* was adopted.

8. Discuss Future of Grand Valley Housing Initiatives

Jody advised the Board of conversations she has had with Veronica Moore, Board President of Grand Valley Housing Initiatives (GVHI). The Board Members of GVHI would like to resign and ask the GJHA Board, or its designees, to assume responsibility as the Board of GVHI.

Following a discussion of the history and role of GVHI, the Board discussed the alternatives of GJHA Board Members versus non-Board Members as appointees to the

GVHI Board. Consensus was reached to recommend that the outgoing GVHI Board appoint as their successors: Patti Hoff, Jody Kole, and Lori Rosendahl. Board Members asked to obtain a copy of the current Bylaws of GVHI.

9. Discuss Walnut Park Expansion Plans

Referencing the Walnut Park expansion site plan included in the Board Packet, Don advised that ongoing reviews continue with the Grand Junction Planning Department. The initial site plan review revealed no major issues. However, the latest review, and with different City personnel, produced favorable comments with one exception. Designed to be parallel with Units 9 and 10 along the northern property boundary, Units 7 and 8 aren't in compliance with the Grand Junction Fire Department's requirement that buildings be within 150' of the street for fire hose access. In response to this issue, staff obtained cost estimates to install fire suppression sprinklers in the units, the estimated costs of which is \$12K and included an additional 2" water line. A monthly fire department monitoring fee of \$150 and additional costs for telephone lines would also apply. A second option explored was to rotate the buildings and move them slightly east. This alternative was proposed by GJHA staff as a response to the City's issue and will be formally reviewed by City personnel in the near future. Board Members concurred with the staff recommendation.

Jody mentioned that in seeking authorization from HUD to undertake this redevelopment HUD's authorization is needed. GJHA proposed a small second mortgage on the property to supplement the City's grant and a proposed draw from Walnut Park's Residual Receipts Account. HUD's initial response wasn't favorable. The following explanation and revised proposal was presented by Jody to Board Members for their approval and HUD resubmittal. Years ago in developing Crystal Brook Townhomes, \$465K was borrowed from Walnut Park's Residual Receipts Account to help fund this project, with a promissory note providing for a yearly \$24,419 payment to Walnut Park from Crystal Brook Townhomes for 20 years with a balloon payment in 2017. Jody proposed that the General Fund buy this note, which will increase Walnut Park's Residual Receipts Account balance and should satisfy HUD. With the Board in agreement, staff will proceed.

As a side note, Don noted that the final Equity Installment for Arbor Vista was received from Enterprise, which included an additional \$14,500 that was earned from an upward adjuster for the early lease-up, as provided for in the Partnership Agreement.

10. Review November and December Scheduled Board Meeting Dates for Holiday Conflict

In reviewing the calendar for the next two months, the regular November and December Board Meeting dates are close to the Thanksgiving and Christmas holidays. Taking holiday schedules/conflicts into consideration, the group agreed to cancel the November Board Meeting and reschedule the December Board Meeting for December 7th.

11. Other Business

Conflict of Interest Ruling

Patti Hoff and Ora Lee advised the Board that a business relationship between them is being contemplated. They asked if the Board Members had any concerns about a possible perceived conflict of interest, as a result. Board Members were in agreement that they were not concerned that a possible business relationship between Patti and Ora would create a conflict.

HUD's Deputy Director Attends Housing Colorado

Ron Sims, the Deputy Director of HUD, attended the recent Housing Colorado Conference in Breckenridge the latter part of October. As part of the Housing Colorado Board and its Vice President, Jody and other Housing Colorado Board Members spent some time with Mr. Sims discussing Colorado affordable housing issues.

Colorado NAHRO Board Appointment

Lori has been appointed to the Colorado NAHRO Board of Directors and will serve a two-year term.

Board congratulations were extended to both Jody and Lori for their additional Board appointments and the exposure that they are giving the GJHA and Western Colorado.

12. Roll Call Vote to Move into Executive Session to Discuss Real Estate Transaction

At 12:48 p.m., the regular meeting was adjourned and a roll call vote moved the group into an Executive Session to discuss real estate issues.

13. Roll Call Vote to Move out of Executive Session and Adjourn the Meeting

At 1:10 p.m., the October GJHA Board Meeting concluded with a motion by Terri, a second by Paul and a unanimous vote.

