

MINUTES

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

Tuesday, December 15, 2015
Linden Pointe Club House
11:30 a.m.

1. Call to Order

Board Chair Chris Launer called the Grand Junction Housing Authority (GJHA) joint November/December Board Meeting to order at 11:35 a.m. with the following Board Members in attendance: Scott Aker, Tami Beard, Tim Hudner, Chris Mueller, Jerry Schafer, and Barbara Traylor Smith. Board Members present represented a quorum. One guest, Attorney Rich Krohn attended. GJHA staff members included CEO Jody Kole, COO Lori Rosendahl, Controller Amy Case, and Executive Assistant Kristine Franz.

2. Introduction of the GJHA Asset Manager, Cindy Tucker-Davis

The new GJHA Asset Manager, Cindy Tucker-Davis will be introduced to Board Members and Executive Staff at the holiday social event planned for Thursday, December 17, 2015.

3. Recognize Outgoing Board Member Chris Mueller

The group recognized outgoing Board Member Chris Mueller, whose term ended in October of this year. A valuable asset to the GJHA as a dedicated Board Member as well as an exceptional facilitator for the annual Strategic Planning process, Chris will be greatly missed. Chris agreed to continue as a Board Member until a replacement is appointed by the Grand Junction City Council.

Barbara Traylor-Smith indicated that an individual is currently submitting an application for review/consideration to fill this Board Seat.

Chris Mueller said that he, Jody Kole, and Lori Rosendahl met yesterday, December 14, 2015, and continued to work on "Wildly Important Goals" for the 2016 Strategic Plan update.

4. Resolution No. 2015-12-01 Approving Section 8 Management Assessment Program (SEMAP) Certification

The Section Eight Management Assessment Program (SEMAP) is an evaluation of the Section 8 Voucher Program. The review process is a joint effort by the Department of Housing and Urban Development's (HUD) Office of Public Housing along with a GJHA self-assessment, with each entity examining different tasks. GJHA independent auditors validate the GJHA self-assessment. Referencing her memo dated November 30, 2015, Lori Rosendahl said HUD has

completed its SEMAP evaluation of GJHA, and announced that GJHA is designated High Performer once again based on an outstanding SEMAP score of 100%. Congratulations to the employees of the Housing Choice Voucher Program for their hard work.

Barbara Traylor-Smith made a motion to approve *Resolution No. 2015-12-01 Approving Section 8 Management Assessment Program (SEMAP) Certification*. The motion received a second by Scott Aker and unanimous Board approval.

5. Report on the Audit of the GJHA and Request Formal Acceptance of Audit Ending September 31, 2015

Lori Rosendahl distributed the Exit Conference Agenda dated November 19, 2015 provided by the auditors from Hawkins Ash Baptie. Board Members Tami Beard and Chris Launer joined the Executive Staff and auditors for the Exit Conference. Tami Beard stated that compliments flowed from the auditors regarding all GJHA activities with particular mention of the superior quality of records and the internal controls. Lori Rosendahl noted that auditors requested only six adjusting journal entries be made for the entire year. Scott Aker commented that is impressive, to which Chris Launer and Tami Beard extended congratulations to all.

The final audit is not complete at this point so formal acceptance will occur at a later date.

6. Approval of Resolution No. 2015-12-02 Authorizing Acquisition of Property at 3032 N. 15th Street, Certain Borrowing to Fund that Acquisition and the Execution of Related Documents

Jody Kole began the discussion regarding the acquisition of the Nellie Bechtel Apartments by referencing her Board memo dated December 9, 2015. Negotiations continue with the owner for the 96 units comprised of 80 – 1-bedroom units (includes 4 Americans with Disabilities Act (ADA) accessible units) and 16 – 2-bedroom units.

Jody Kole stated the appraisal is positive. The physical condition assessment is better than expected, categorizing short-term and long-term improvements. Immediate/short-term improvements totaling \$27K include parking lot repairs, painting, and sealing of window openings. Long-term needs include physical updates and energy improvements and will be included in the internal Capital Improvement Plan. The two-story buildings have no elevators. Jody Kole said that staff is working with Energy Outreach Colorado to obtain grants for such items as new stoves/refrigerators, washers/dryers, evaporative coolers, etc.

Lori Rosendahl is working with the staff at HUD to obtain a commitment for a Housing Assistance Payment (HAP) Contract for this property.

Lori Rosendahl held three resident meetings to meet the residents, share information about the purchase, and ease any fears that the residents might have.

Jody Kole stated that as part of the acquisition funding, a Bridge Loan will be obtained from the Bank of Colorado. She anticipates that this Bridge Loan will be retired with grant funding applied for through the Division of Housing (DOH). Rehab work can be funded with grants from Energy Outreach Colorado and Agency funds and other grant sources.

All of the seller-provided disclosure documents have not been received, but work continues to acquire the property.

Rich Krohn clarified the two parts of *Resolution No. 2015-12-02 Authorizing Acquisition of Property at 3032 N. 15th Street, Certain Borrowing to Fund that Acquisition and the Execution of Related Documents* as follows:

- Funding approval
 - Permanent Loan commitment from the Bank of Colorado is an 80% LTV first mortgage for 20 years with a 30-year amortization, and 3.75% interest rate.
 - Bridge Loan commitment from the Bank of Colorado for an 80% LTV first mortgage on the Lincoln Apartments for 18 month, interest payments only, and a 2.75% interest rate.
 - Additional cash from GJHA's General Fund.
- Contract approval
 - No significant concerns identified with the appraisal, title work, survey, physical condition inspection and environmental assessment.
 - The Contract provides for an Escrow Agreement with \$100K of the purchase price in an Escrow Account for one year to cover potential GJHA losses, such as transfer of personal property issues and breach of the Landlord Estoppel Affidavit representation.
 - The Escrow Agreement will outline receipt of at least 90 sets of appliances. If fewer than 90 sets are transferred, the financial loss is covered by this Agreement (reference Page 4 – Paragraph 2).
 - With respect to missing Tenant Estoppel Affidavits, representation of costs will be addressed in the Landlord Estoppel Affidavit (reference Page 4 – Paragraph 4).
 - One previously approved Contract Amendment modified the original Contract.
 - A Second Contract Amendment requested for Board approval today allows for a “free walk” by the Agency through December 18, 2015 to terminate the Contract for any reason.

- Due diligence challenges include the lack of or incorrect documents as follows:
 - Seller Property Disclosure
 - Landlord Estoppel Affidavit
 - Tenant Estoppel Affidavit - cannot locate four tenants
 - Inaccurate Rent Roll - anticipate corrections

Rich Krohn distributed the owner's personal property list, which showed limited historical documentation. Rich stated that the Bill of Sale will include at least 90 sets of appliances (refrigerators and stoves) for the resident units. The seller indicates that some appliances are owned by tenants.

The loan documents are in final form, and Rich Krohn also stated that the acquisition will not go forward if the Seller Property Disclosure document is not received. Upon receipt of the remaining due diligence documents and if the documents present problems, the alternatives include extending the contract date or canceling the contract with the earnest money returned to GJHA.

Extensive Board/staff discussion transpired regarding the following:

- The four outstanding due diligence items referenced in Paragraph 1 above.
- "Lagging" seller cooperation is not intentional – it is overwhelming to close this transaction in 40 days, but this is being driven by the current owners.
- Unavailable tenants equate to missing Tenant Estoppel Affidavits. Four Tenant Estoppel Affidavits will be addressed in the Landlord Estoppel Affidavit.
- Productive tenant meetings occurred; shared tenant stories; staff assisted the owner with tenant deliveries; GJHA welcome baskets are being assembled for tenants.
- Staff does not foresee problems with HUD ADA-compliant requirements.
- The 8bb Contract is expected in March.
- Exceptional low interest rate on loans received from Bank of Colorado.
- Prepayment penalty exists on the Bank of Colorado 20-year Permanent Loan; the Bank of Colorado Bridge Loan has no prepayment penalty.
- The loan documents mirror the language of the Village Park loan documents.
- A strong possibility exists that the 96 affordable senior units otherwise would be lost to the community as affordable senior housing if converted to market-rate rents and marketed to the general public, as there is no Land Use Restriction Agreement (LURA) on the property.
- No "not in my backyard" (NIMBY) issues.
- Board accolades to Jody Kole and Rich Krohn for their professionalism and positive rapport for many years with the seller; and, although this property was not listed for sale, for acquiring this property within the seller's critical timeline.

Rich Krohn clarified that *Resolution No. 2015-12-02* approves the Contract including the Second Amendment as attached to the Resolution, approves the financing as stated above to fund the

property, and allows for staff discretion in handling lingering due diligence issues. With a motion by Tami Beard and a second by Scott Aker, the motion received unanimous approval.

7. Amended Approval of Payment Standards for 2015/2016 Fiscal Year

Lori Rosendahl referenced her December 14, 2015 memo and clarified the Payment Standards based on the **final** Fair Market Rents (FMRs) published on December 11, 2015 in a HUD-delayed notice. She asked that only the date in *Resolution No. 2015-09-02 Approving Payment Standards for the Housing Choice Voucher Program Effective October 1, 2015* be amended and approved to reflect the HUD mandated effective date of December 11, 2015.

Upon the request of Chris Mueller, Lori Rosendahl explained the process. She clarified numbers reflected in the chart in her December 14, 2015 memo. The Fair Market Rent (FMR) is the HUD-established amount needed to pay the rent and utilities of a modest, safe and decent rental housing unit in Mesa County. HUD is required to publish the FMRs at least annually. FMRs are then used to determine Payment Standards, which may be set locally by the public housing authority between 90% and 110% of the FMR. Staff uses the "GO Section 8" data base showing the average rental rates in Mesa County in determining the GJHA Payment Standards.

In September of 2015, the Board approved the requested GJHA Payment Standards based on the HUD "proposed" FMRs. With the "final" HUD published amounts higher than the "proposed" amounts, staff calculated new Payment Standards based on the final HUD numbers. The GJHA Payment Standard percentage remains the same but because of the higher HUD final numbers there is a difference of additional dollars to families. The Voucher HAP budget is sufficient to cover the higher amounts.

With a motion by Tim Hudner, a second by Jerry Schafer and a unanimous vote, the effective date for *Resolution No. 2015-09-02* is amended to read December 11, 2015.

8. Financing of the Highlands – Phase I

Select an Equity Investor Partner

Jody Kole stated that with the solicitations issued for both debt and equity providers for The Highlands – Phase I, GJHA received 10 equity offers from 9 providers. With the assistance of the Finance and Audit Committee, the group reviewed the top 6 out of 10 equity offers.

As per Jody Kole's Board memo dated December 14, 2015, GJHA received good equity offers from providers, with Wells Fargo submitting the highest equity offer of \$1.15 per dollar of tax credit equity. Jody Kole said that this offer is the highest in Colorado that anyone can remember. Wells Fargo commented that it respected GJHA and its success and wanted to give the best offer possible.

Considerations during the review process of the Wells Fargo offer included:

- No current working relationship.
- Offer Letter stated as a "Term Sheet" and not a "Commitment".
- Timing of the investment "pay in" by Wells Fargo.
- Term Sheet language stating that the General Partner would be a wholly-owned subsidiary of GJHA.
- Can Wells Fargo complete its due diligence requirements in time to close the transaction by March 1, 2016.
- The equity offer is contingent upon accepting the Wells Fargo Construction Loan.

Jody Kole discussed with Wells Fargo representatives some issues in its offer. Wells Fargo conveyed willingness to negotiate on several issues.

Receiving favorable references for Wells Fargo, Jody Kole asked for and received a redacted copy of another Colorado organization's signed Limited Partnership Agreement with Wells Fargo. Wells Fargo also agreed to use this adopted Limited Partnership Agreement as a templet to start GJHA negotiations. This should save GJHA time and money.

Rich Krohn provided some positive/negative comments for Board consideration:

- The GJHA tax credit attorney, Mr. Paul Smith, also participated in the negotiations in generating the Limited Partnership Agreement on behalf of the organization sharing this Agreement with GJHA. Consequently, there should be a savings in attorney's fees with respect to language familiarity of the Agreement.
- The Construction Loan is a required part of the transaction and has a variable interest rate.
- The Construction Loan costs are substantially higher.

Tim Hudner said that he attended a Shaw Construction presentation on December 8, 2015 in Denver that addressed housing construction costs, and he distributed the Shaw presentation handout. Presentation topics included construction costs in Colorado, specifically the regional difference in construction costs and the escalating nature of construction costs. Tim gave the following highlights for consideration when discussing costs of The Highlands – Phase II:

- 25-35% premium on the Western Slope for construction costs.
- Rapid rise in construction costs coming out of the recession seems to have leveled off on the Front Range but the Western Slope is lagging with an expected 8-9% increase.

Extensive group discussion ensued addressing the following topics:

- Ask Wells Fargo to put a ceiling on the interest rate – should be a negotiable item.
- There is no GJHA requirement, but a strong preference for Shaw Construction to use locally-owned subcontractors. Also use local vendors to the extent possible.
- Wells Fargo is \$875K higher than the next equity offer; is flexible in advancing funds earlier; is willing to re-negotiate on the timing of the Wells Fargo pay in.
 - Surplus funds can be spent on anything related to the real estate such as capital, furnishings, pay down the permanent mortgage or soft loans, hire a service coordinator, etc. The City of Grand Junction's (City) local grant funding participation (payment of the City Development Impact Fees on GJHA's behalf) could be reduced and used for the City's grant funding participation on The Highlands – Phase II, if this action does not jeopardize GJHA's standing with the State Division of Housing (DOH).
- All equity offers contained pro/cons. Jody Kole explained the Equity Offer Comparable Chart she created for analysis. Jody commented that there are many variables with different strengths and weaknesses in the offers.
- Shaw Construction subcontractor bids are due December 29, 2015.
- The market place message is that competitive equity offers matter to GJHA.
- If negotiations over concerns with Wells Fargo reach an impasse, what happens:
 - Must reach "carryover" status or the tax credits are lost. The Carryover Application to the Colorado Housing and Finance Authority (CHFA) is due in August 2016. This demonstrates by documentation that 10% of the total project cost is spent, and that the development is proceeding.
 - Signing the Wells Fargo equity offer sets the terms for the negotiations, and GJHA will be accepting the terms:
 - Wells Fargo will pay legal fees for negotiations up to \$85K. GJHA assumes costs in excess of \$85K. In addition, GJHA could not negotiate with another investor until Wells Fargo releases this stipulation, which might not be in time to save the deal if problems arise.
 - Wells Fargo's terms are the most stringent of all offers with the greatest potential of risk of damages to GJHA.

Rich Krohn discussed The Highlands – Phase II. Beginning January 1, 2016, The Grand Valley Drainage District will impose a fee of \$500/unit on new developments. This equates to \$34K in development fees for the 68 units in Phase II of The Highlands. To avert those fees, final development approval from the local development agency is required. The Highlands Design Team is supplying information in order that an Application to amend the previously approved Site Plan for The Highlands can be filed tomorrow, December 16, 2015. If planning clearance from the City Planning Department can be given by December 31, 2015 for The Highlands – Phase II, the \$34K development fee to the Grand Valley Drainage District will be avoided. As a side note, Jody Kole said that the status "ready to proceed" is preferred on the CHFA Tax Credit

Application, should the decision be made to apply for tax credits on The Highlands – Phase II by the February 1, 2016 deadline.

Jody Kole recommended to accept the Equity and Construction Loan proposals from Wells Fargo. She and Rich Krohn requested Board guidance regarding negotiating with Wells Fargo regarding the concerns discussed. After brief conversation regarding negotiations, Scott Aker made a motion to accept Wells Fargo as the Equity Provider and Construction Lender for The Highlands – Phase I and to allow for staff discretion to negotiate the problematic issues with Wells Fargo in the best interest of GJHA. The motion carried with a second by Tami Beard and a unanimous vote.

Select a Permanent Financing Lender

Jody Kole reviewed specifics of the offers for the Permanent Mortgage stating:

- Wells Fargo did not submit an offer.
- Received a good offer from CHFA but transaction fees are higher.
- Bank of Colorado is a 30-year amortization, 20-year term with a 5.5% interest rate – fees will change:
 - Prepayment penalty on the loan.
 - As a forward note lock, Bank may request a deposit that would apply towards closing fees.
 - Considerable savings in attorney fees because of prior completed loan negotiations on other similar loans.
 - Comfortable in established relationship and using a local bank.

After Board discussion and with Jody Kole's recommendation to accept the Permanent Loan Proposal from the Bank of Colorado, Barbara Traylor-Smith made a motion to select the Bank of Colorado for the permanent loan for The Highlands – Phase I and allows for staff discretion in negotiating in the best interest of GJHA. A second by Scott Aker and a unanimous vote passed the motion.

Jerry Schafer departed at 1:15 p.m. A quorum remained. Chris Mueller left the meeting at 1:16 p.m. A quorum remained.

9. Other Business

Update on the Annual Meeting Scheduled for January 25, 2016

The GJHA Annual Meeting will be January 25, 2016 where GJHA accomplishments are recognized and shared with invited community members and GJHA partners. The Hospitality Suite at Stocker Stadium is the venue again this year.

With the \$111K HUD grant awarded to GJHA to focus on veterans and landlord outreach, the Annual Meeting will be the “kick-off” for this special campaign. KREX Television is partnering with GJHA in this effort. With this campaign, it is hoped additional awareness will be made of the challenges surrounding veteran housing and create positive involvement from additional landlords.

With awarded grant funds, plans are also underway to hire a part-time Veteran’s Advocate to help recruit landlords for veteran housing and assist veterans and GJHA staff.

Rich Krohn left the meeting at 1:21 p.m.

Schedule a Special January Business Meeting

With the Annual Meeting in January, a special January business meeting is necessary. The date/time is January 19, 2016 beginning at 4:00 p.m. at the Linden Pointe Clubhouse. Board Members who left the meeting will be notified.

Consideration is being given to changing the regular Board Meeting date and time for 2016. Additional dialogue will be held at the special January 19, 2016 meeting.

10. Adjourn

With no further business the joint November/December Board Meeting adjourned at 1:25 p.m.

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