MINUTES

Grand Junction Housing Authority
Board of Commissioners' Meeting
Regular October Meeting

Monday, October 26, 2015
Linden Pointe Club House
11:30 a.m.

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1. Call to Order

At 11:35 a.m., Board Chair Chris Launer called the Grand Junction Housing Authority (GJHA) regular October Board Meeting to order. Board Members Tami Beard, Tim Hudner, Chris Launer, Chuck McDaniel, and Chris Mueller represented a quorum. Also in attendance included CEO Jody Kole and Executive Assistant Kristine Franz. Board Member Barbara Traylor Smith, guest Clark Atkinson with Shaw Construction, and Attorney Rich Krohn joined the meeting later, as did Controller Amy Case and COO Lori Rosendahl. Board Members Scott Aker and Jerry Schafer did not attend.

A power point presentation cycled photographs of the ongoing construction at 8 Foresight Circle during the first part of the meeting.

2. Welcome New Board Member Tim Hudner

Chris Launer welcomed Tim Hudner, who joins the Board and fills the Board seat vacated by outgoing Board Member Chuck McDaniel. Tim shared his experience with the group.

3. Roll Call to Move into Executive Session to Discuss Personnel Issues – Specifically Executive Incentive Compensation – C.R.S. 24-6-402(4)(f)(I)

With a roll call vote, the group moved into Executive Session at 11:37 a.m. to discuss personnel issues – specifically Executive Incentive Compensation. Jody Kole and Kristine Franz left the meeting. Board Member Barbara Traylor Smith joined the group during the Executive Session.

4. Roll Call to Move out of Executive Session and Return to Open Meeting

At noon and with a roll call vote, the group returned to the Open Meeting. Those joining the meeting at this time included Clark Atkinson, Rich Krohn, and GJHA staff members Jody Kole, Lori Rosendahl, Amy Case, and Kristine Franz.

5. Recognize Outgoing Board Member Chuck McDaniel

On behalf of the GJHA Board and staff, Chris Launer recognized and expressed gratitude to Chuck McDaniel for his valuable contribution to the Housing Authority and its Board over the past five years. Chuck McDaniel departed the meeting. A quorum remained.

6. Discussion of Executive Incentive Compensation Recommendation

Chris Launer stated that the Executive Incentive Compensation Committee (consisting of Tami Beard, Chris Launer, Chuck McDaniel, and Chris Mueller) previously met and made a recommendation pertaining to the 2015 executive incentive compensation awarded to Jody Kole.

Chris Launer summarized Executive Session discussion by stating that dialog included: the memo to the Executive Incentive Compensation Committee; upper limits on the executive incentive compensation amount and whether there should be limits; general consensus that Jody Kole is doing a tremendous job; and that Board Members agreed to proceed with the Committee's recommendation of the executive incentive compensation award. Board Members agreed with the summation. With a motion by Tami Beard and a second by Tim Hudner, the Board unanimously approved the recommendation of the Committee.

Chris Launer welcomed and introduced Clark Atkinson and Rich Krohn.

7. Consent Calendar

The Consent Calendar consisted of revised Minutes of June 22, 2015 and July 10, 2015 and Resolution *No. 2015-10-01 Authorizing the Write-off of Bad Debts.* With Lori Rosendahl's October 21, 2015 Board memo pertaining to the write-off of bad debts included in the Packet documents for prior review, no additional questions surfaced. Amounts for two units at Crystal Brook Townhomes totaling $7,493.13 are representative of the bad debt write-off amount in the reporting period of October 2015. The Board unanimously adopted the Consent Calendar with a motion from Barbara Traylor Smith and a second by Chris Mueller.

8. Update on The Highlands

Jody Kole began The Highlands presentation with a brief history of the project design. The original development design illustrated a four-story building with an elevator in each of the residential wings. Any resident could use any elevator to access the upper floors. As part of the necessary development cost-cutting effort, Jody made the decision to reduce the Amenity Area in the middle of the building from four floors down to two floors.

During consideration of the Funding Application for The Highlands at the State Housing Board hearing, State Board Members expressed concern that one elevator may not be adequate for a senior building with 64 apartments and proposed additional project funding to cover the cost of adding a second elevator. An additional $160K will be awarded for a total of $960K for Phase I if a second elevator is added during the first phase.

With the redesign efforts of the Design-Build team of OZ Architecture/Shaw Construction and the GJHA staff, the most efficient and economical location for the second elevator would be to relocate and adjoin the bank of two elevators and the stairwell in a single core structure at the north end of the Amenity Area. Referencing her October 23, 2015 Board memo/attachments, Jody Kole identified the location of the redesigned elevator on the drawings and noted that the most challenging issue with this redesign is creating a connection between the relocated elevators and stairway and the residential wing to the south. Jody Kole highlighted some construction cost savings with this redesign such as back to back elevators and stair core and a wooden structure instead of the concrete masonry unit. Jody Kole mentioned that most of the economic benefits, however, occur in the second phase.

With prior discussions at the September 28, 2015 Board Meeting and Board direction for staff to study and present options at a later date, Jody Kole outlined several choices and requested Board feedback. With significant cost implications and an impact on staff's workload in 2016, the following construction options concerning the Amenity Area footprint on the third and fourth floors of Phase I are under consideration:

- Option 1A:
  At the third and fourth floors, build a Corridor-Only (not a full-width third and fourth floor) which would connect the elevator core at the north to the residential wing. This option assumes that this will be the permanent design, with no future additions at the third and fourth floor Amenity Areas. The additional cost of this Option is estimated in a range of $250K-$290K.

- Option 1B
  At the third and fourth floors, build a Corridor-Only, but include structural accommodations which would allow the full build-out of the third and fourth floor Amenity Areas at a future date. The cost of this minor modification is nominal. The larger cost increase is determined by the timing of actually building out the additional space.
    i. If built as core-and-shell only, during construction of Phase 1, the additional cost would be $260K to $310K in addition to the $250K to $290K above. Range of $510K to $600K.
    ii. If built as core-and-shell only, after Phase 1 is completed, the additional cost would be increased by the cost of removing roof, protecting the floors below, etc. This increases the costs by an additional $75K to $100K. Range of $585K to $700K.
    iii. Finishing the core-and-shell space would add roughly $235K to each of the numbers above, if done concurrent with the build-out described above. The equates to a combined cost range of $745K to $835K. This is not deemed a cost-effective approach.

- Option 2A
  Build the full Amenity Area footprint on the third and fourth floors, (total 4,704 s.f.) but only finish the Corridor-Only area. The balance of the footprint would be "core and shell" similar to the approach taken by St. Mary's Hospital. This option assumes full finish and utilization of the space at a future date.

- Option 2B
  Build and fully finish the entire third and fourth floor Amenity Areas now. The additional cost of this Option is estimated at $745K.

Jody Kole stated that because of the uncertainty of the budget and the equity investment per dollar of federal low income housing tax credit from the equity investor, it seems prudent financially to accept Option 1A - Corridor Only. If investors propose the equity investment per dollar amount high, then Option 2A – Build the Full Amenity Area would be preferable. Jody Kole also added that when Shaw releases its Request for Proposals (RFP), Phase I can be bid with both the Corridor-Only Option and the Full Amenity Area build out in order to see the actual costs of both Options.

Jody Kole is scheduled to meet with service-provider partners next week. With the redesign, the three offices to be occupied by service providers are reduced to two offices. Concerned with the limited space, other options will be explored such as the possibility of service providers supporting the development by assisting with the expense of additional office space elsewhere in the building. Jody Kole answered Barbara Traylor Smith's question regarding service providers sharing space by stating that in other Colorado communities, the service provider spaces are donated. Jody Kole also noted that under the Tax Credit rules, GJHA cannot charge rent for the space occupied by service providers.

Lengthy discussion ensued covering the following topics:

- For further clarification, Jody Kole reviewed and summarized all four Options and the associated costs.
- Clark Atkinson answered Barbara Traylor Smith's question by explaining that the old elevator space is redesigned as restrooms and the stairwell is redesigned as a kitchenette and teaching kitchen.
- When reviewing the Options with the Board, Clark Atkinson said there is "time value to money" – the longer one waits, the more it costs. Clark Atkinson explained the drawings and stated that if Option 1A is chosen now, and in the future Option 1B is desired, the change can be done, but will involve incremental costs.
- Clark Atkinson answered Chris Launer's question by stating that approximately an additional $5-10K would be needed for Phase I to make the structure accommodate a future build out.

- Clark Atkinson outlined the Phase I "baseline" and subsequent "moving parts" as follows:
  - *Baseline*
    - $12M is the approximate original development cost
    - Subcontractor market is constrained; Clark believes that we can obtain better RFP response and pricing if we wait until the end of the 2015, but prior to a price increase in the first quarter of 2016
    - OZ will complete the design process by the end of November
    - Shaw will issue the RFP and make conditional subcontract awards by the end of December
    - Costs remain closer to the forecasted amount of $12M
  - *Moving Parts*
    - Addition of a second elevator – estimated at $135K-$160K
    - Redesign exercise and development of menu of Options
    - Without final pricing, cost is roughly $12M for Option 1A and the second elevator
    - Shaw is in the process of communicating to subcontractors to anticipate another final bid opportunity by the end of this year
- To address Barbara Traylor Smith's question, Clark Atkinson listed the pricing efficiencies for Phase II with the redesign of Phase I as follows:
  - Do not need to build another stairway, saving $100K
  - Less travel distances to stairways for residents/guests
  - Lobby plan is improved by moving the stairway – better lobby visibility for the property manager from the office; secured mail room; easier lobby access/movability for residents; residents will experience better elevator access to/from the front door
  - Moving the stairway solved Phase I and Phase II building connectivity issues

  Chris Launer summarized that to build Option 2A now and gain a total of 4,704 more unfinished square footage on the third and fourth floors will cost approximately $260K more than the cost for Option1A. Interior finishing can be done anytime.
- Jody Kole said that the RFPs for the Equity Investor and the Construction Loan/Permanent Loan Lender will be issued this week with responses anticipated around the fourth week of November.
- To answer Tim Hudner's question, Jody Kole said the impact of the equity investor's per dollar of federal low income housing tax credit offer from $.98 to $1.015 equates to an extra $437K.
- Clark Atkinson answered Tim Hudner's question by saying that if the subcontractor bid documents reflect the alternate Option 2A, better pricing is expected.
- Jody Kole stated that equity investors would be contacted to explain the concept behind the bid and the alternate bid, if that is the direction the Board chooses.
- Jody Kole said if the Option to build with the full amenity space is chosen now, the opportunity exists to add up to 5 more resident units in Phase II, as the building will have sufficient amenity space.
- Barbara Traylor Smith said that based on the needs of the senior population and the larger picture, the probability of abundant use of the service-provider areas by seniors in getting the care needed is huge. If ample amenity space is not available, providers will be less likely to participate.

- Tim Hudner commented that there are other attempts to co-locate service providers in Colorado developments but nothing to this extent. With the framework already in place, the additional amenity space makes the development more attractive for Phase II equity investors.
- If the third and fourth floors are built, Jody Kole said that all the offices for the service providers could be on the third floor.
- If the Board decides to build floors three and four, Jody Kole said that clarification will be given to equity investor bidders that the bids should include the Tax Credit Application information as well as the recent change amount due the Board's decision to build floors three and floors.
- Board Members agreed that the nicest thing relating to this development is the amenity space and service-provider coalition. Board Members discussed approaching this optimistically with either Option 2A or 2B. If funding falls short, then plans can be reverted back to Option 1.
- Jody clarified that there are different legal ownership entities for Phase I and Phase II so completing Phase I cannot be financed by Phase II.
- To answer Tami Beard's question, Rich Krohn explained the theory behind the "condominium effect" that allows funding of the building of the third and fourth floors as part of the funding of the second building with the second investor.
- Rich Krohn noted that consideration might be given to the Agency funding the third and fourth floors of the core and selling to Phase II, but additional legal research is needed on the viability of that idea.
- Jody Kole said Phase I and Phase II could be built at the same time, and there is some economic value in doing that. If a higher per dollar of federal low income housing tax credit offer is not received from the equity investor, GJHA could apply for 4% Colorado Housing and Finance Authority (CHFA) Tax Credits and State Tax Credits. The CHFA Tax Credit Application process has a tight application deadline of February 1, 2016. Dependent on enough equity in the 4% CHFA Tax Credits, calculations still show a gap of approximately $2M. Tim Hudner added that State Tax Credits can be used for gap financing, but it is challenging.

Jody Kole made the recommendation to proceed with the Phase I work, and design Phase II to be completed by the end of January, but not submit to CHFA for Tax Credit consideration at that time. Because OZ Architecture needs to finish the drawings so Shaw can release the RFP for the subcontractor bids, Jody Kole clarified Board direction. Proceed with Option 1A with an add option of Option 2A. If a higher per dollar of federal low income housing tax credit offer is received from the equity investor, the shift can easily be made from Option 1A to Option 2A with this alternate choice. Board Members disagreed and directed staff to proceed with Option 2B – design for the full build-out of the third and fourth floors with a deductive alternate in the bid documents to reduce the scope of the third and fourth floors, if necessary. Board Members expressed optimism about the level of equity offers GJHA will receive.

Clark Atkinson departed at 12:56 p.m.

9. Request Approval of Resolution No. 2015-10-02 Authorizing Certain Borrowing to Fund Remodeling, Expansion of and Other Improvements to Authority Property at 8 Foresight Circle and Authorizing the Executive of Related Documents

Rich Krohn distributed a draft red-lined revision of the previously distributed *Resolution No. 2015-10-02 Authorizing Certain Borrowing to Fund Remodeling, Expansion of and Other Improvements to Authority Property at 8 Foresight Circle and Authorizing the Executive of Related Documents.* Rich answered the question asked by Chris Launer regarding clarification on the wording "the loan documents include without limitation" in Resolution No. 2015-10-02, Page 1, Item Number 2. The wording referencing the documents listed in the Resolution are the documents requested by the Bank of Colorado and authorized by the Board for signature. The wording also allows for the possibility that additional documents may be requested by the Bank.

Rich also explained Item Number 2 and Item Number 4 on Page 2 of Resolution 2015-10-02 by stating that all the loan documents will require signatures of both the Board Chair and the CEO. The documents to move funds around, such as checks, only require the signature of the CEO.

A motion by Chris Mueller, a second by Tami Beard and a unanimous vote gave authorization of *Resolution No. 2015-10-02 Authorizing Certain Borrowing to Fund Remodeling, Expansion of and Other Improvements to Authority Property at 8 Foresight Circle and Authorizing the Executive of Related Documents.*

Jody Kole clarified Barbara Traylor Smith's question pertaining to the $2,664.000.00 borrowed amount identified in Resolution No. 2015-10-02, Page 1, Item Number 1. Jody explained that this borrowed amount is the amount authorized by the Bank of Colorado, but that the entire amount may not be necessary. Rich Krohn stated that the Resolution wording indicates the entire amount will be borrowed. If the entire amount may not be needed, then the motion should be rescinded and the Resolution revised to reflect inclusion of the wording "up to the sum of $2,664.000.00". With that recommendation, Chris Mueller and Tami Beard rescinded the prior motion and the second, respectively. The rescinded motion received unanimous Board approval. A new motion by Chris Mueller and a second by Tami Beard received unanimous approval authorizing the amendment of Resolution No. 2015-10-02 on Page 1, Item Number 1 to include the words, "*up to the sum* of $2,664.000.00". The corrected Resolution will be available for Board Chair and CEO signatures later today.

10. Presentation of Financial Statements Ended September 30, 2015 for All GJHA Properties and LIHTC Properties

Due to time constraints, the Financial Statements Ended September 30, 2015 for all GJHA Properties and Low Income Housing Tax Credit (LIHTC) properties will be reviewed later.

11. Update on Housing Choice Voucher Funding Status

The previously distributed Board Packet information included a memo/attachments dated October 22, 2015 and written by Lori Rosendahl regarding the updated Voucher utilization and funding spreadsheet.

Lori stated that the Housing Choice Voucher (HCV) Program continues to be and is projected to be over-leased at year-end. Causing the over-leased status is slow attrition over the summer and too few referred Veterans Affairs Supportive Housing (VASH) eligible households by the Veterans Administration. Because of this over-leased position, it is estimated that GJHA Administrative Fees of approximately $45K may be needed to reimburse HAP Payments made for up to 48 families. The HCV Program is doing well financially with a healthy Admin Fee and Housing Assistance Payment (HAP) Reserve predicted.

Lori Rosendahl addressed the question asked by Chris Launer regarding the HAP Reserve Balance at year-end. Lori explained that funding must be tracked of both by calendar year and by fiscal year. The total of $122,441 represented the HAP Reserve Balance at the end of December 2014 but still required reconciliation by the U.S. Department of Housing and Urban Development (HUD). By year end 2015, the HAP Reserve Balance shows $277,140. Those funds belong to GJHA but are no longer controlled by GJHA. The funds are retained by HUD.

Lori Rosendahl notified the Board that GJHA applied for and received $111,000 for extra ordinary VASH Voucher Admin Fees. Lori cited several areas where these resources will be utilized that include funding for a liaison between veterans and landlords, a paperless upgrade in the HCV Program for on-line tenant applications, and a security system upgrade at the 8 Foresight Circle building.

Lori Rosendahl requested consideration of a change to the GJHA Administrative Plan. She distributed her memo dated October 26, 2015 with a draft red-lined copy of <u>Chapter 5 – Briefings and Voucher Issuance</u> of the Administrative Plan regarding issuance of bedroom sizes. This red-lined copy showed requested changes.

Lori shared the history of GJHA's Occupancy Policy of "two heart beats per bedroom" documented in the above referenced Chapter of the Administrative Plan. During the Federal Government Sequester in 2013 and in anticipation of the impending HAP shortfall, Board Members approved the

GJHA policy change to reduce costs and to avoid termination of families. The change required issuance of Vouchers sized at one bedroom per two household members regardless of sex, age or family status. This policy served as a stop-gap measure but has now become problematic for our families.

With the recent DOH Vacancy Survey showing a 3% vacancy for Mesa County, families are experiencing difficulty in finding places that meet their needs. Landlords are also less inclined to rent to our families who may appear to be over-crowded in a unit. Questions/concerns are surfacing from our community partners regarding this policy with reference to older siblings and different generations sharing bedrooms.

With the healthy financial picture of the HCV Program and the fact that per unit costs are remaining relatively low, staff requested Board approval of the policy change regarding issuance of bedroom sizes in the HCV Program. These changes are illustrated in the draft red-line version of Chapter 5 – Briefings and Voucher Issuance in the Administrative Plan and would be effective November 1, 2015. These changes revert the occupancy standards back to the standards prior to the changes made in 2013 due to the Sequester.

Chris Mueller made a motion to approve the requested changes to Chapter 5 – Briefing and Voucher Issuance of the Administrative Plan. With a second by Tim Hudner and a unanimous vote, the motion carried.

12. Discussion on Upcoming Strategic Planning Retreat

The Strategic Planning Retreat is scheduled for Thursday, October 29, 2015 at the Linden Pointe Club House, beginning at noon. Board Member and Facilitator Chris Mueller noted that Board Members should be in receipt of the Retreat Agenda, distributed with the Board Packet documents.

13. Other Business

Acquisition of Property

Jody Kole informed the Board that the verbal acquisition offer for the Nellie Bechtel property (3032 N. 15th Street) is accepted by the owner. There is no formal contract as of this time.

Rich Krohn reminded meeting participants the meeting is in Open Session and an Executive Session is not planned for this meeting.

Receiving confirmation to continue the conversation but keeping the Open Session status in mind, Rich Krohn stated that the property is comprised of 8-10 buildings, and is 96 units of apartment-style living, currently occupied as senior housing.

Rich Krohn stressed that a most compelling reason to purchase the property is that these units will be lost as affordable housing if the property sells at the market rate. The seller is a Sub S Corporation with two different parties. One shareholder is deceased, leaving half interest to the Western Colorado Community Foundation and the other half to the remaining individual owner. Owner terms state the transaction must close by year end. Listed below are several financing alternatives/benefits:

- Cash
- Installment notes – because GJHA is a 501C6, the owner is allowed tax-free interest on the notes
- In what is termed the "bargain sale", the difference in the amount between the market price and the GJHA acquisition price is equivalent of a charitable contribution. It is the seller's responsibility to apply and justify the figures to the Internal Revenue Service for the charitable contribution. The purchase contract possibly will include the needed cooperation of GJHA in document completion for this contribution.
- The contract would likely be for cash, a seller carry, or a combination of the two

The physical Needs Assessment is underway. Lori Rosendahl said that GJHA will be applying for a HCV Contract for the entire property, and she recommended engaging a private company to assist with the application. Additional topics discussed included:

- Additional GJHA staff will be necessary to manage the property
- Jody Kole answered Tami Beard's question by saying that the financing terms with the Bank of Colorado and CHFA are both favorable.
    - CHFA is 35-year fixed, 4.75% interest
    - Bank of Colorado is 20-year term, 30-year amortization, 3.75% interest
- Jody Kole assured the seller that no tenant will be displaced as a result of this acquisition
- If the HCV Contract is obtained for subsidized units, tenants will need to complete the HUD paperwork such as income certifications, etc.

With Board approval today, a Contract signed by Jody Kole will be submitted to the owner, conditioned upon Board approval of the final Contract at a future Board Meeting. If the Bank of Colorado is chosen as the lender, Rich Krohn noted that time/cost spent in preparing documents will be greatly simplified by using the same set of documents that the Bank of Colorado just developed for The Highlands.

In anticipation of a special Board Meeting in November, Kristine Franz has the action item to poll Board Members for their availability.

Note: A November 12, 2015 Board Meeting is scheduled, beginning at 8:00 a.m. at the Linden Pointe Club House.

Rich Krohn departed the meeting at 1:30 p.m.

Audit Services Changes

Audit services for Fiscal Years 2013-2015 for the GJHA Programs are provided by Hawkins Ash Baptie. Audit services for Fiscal Years 2013-2015 for the two Tax Credit Properties (Linden Pointe and Arbor Vista) are provided by Eide Bailly, LLP. Novogradic audits the Village Park property.

Property file testing could not be conducted by Eide Bailly, which caused concerns by the Board and staff. The audit for Village Park conducted by Novogradic is very costly. Because of those reasons, staff requests the auditing firm of Hawkins Ash Baptie be engaged for all three Tax Credit Property audits for the 2015-2016 Fiscal Year.

With the three-year audit commitment ending with Hawkins Ash Baptie the end of Fiscal Year 2015-2016, RFPs will be released in the future soliciting audit services for GJHA Programs and Tax Credit Properties.

Financial Statements Ended September 30, 2015 for All GJHA Properties and LIHTC Properties

Chris Launder commented that details given on the financials are greatly appreciated. In the future, explanation comments will be included on the Dashboard portion of the financials as well. A topic for a future Board Meeting will be discussion on the possibility of re-establishing the Finance Committee.

13. Adjourn

The meeting concluded at 1:34 p.m.

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