

MINUTES

Grand Junction Housing Authority
Board of Commissioners' Meeting
May Meeting

Tuesday May 17, 2016
8 Foresight Circle
5:00 p.m.

Prior to the Meeting, the group toured the new facility of the Grand Junction Housing Authority at 8 Foresight Circle.

1. Call to Order

Grand Junction Housing Authority (GJHA) Board Chair Chris Launer called the May Board Meeting to order at 5:15 p.m. on Tuesday, May 17, 2016 with the following individuals present: Board Members Scott Aker, Tami Beard, John Howe, Tim Hudner, and Barbara Traylor-Smith; Chief Executive Officer Jody Kole, Chief Operating Officer Lori Rosendahl, Controller Amy Case, and Executive Assistant Kristine Franz. Board Members present represented a quorum. Jerry Schafer did not attend the meeting.

2. Consent Calendar

The Consent Calendar consisted of 1) *Request Adoption of Minutes for January 19, 2016, January 25, 2016, March 15, 2016, and April 4, 2016* and 2) *Resolution No. 2016-05-01 Authorizing the Write-off of Bad Debts*.

Lori Rosendahl explained the requested bad debt write-off expense of \$10,478.91. Severe damage to a unit at Crystal Brook by the client, in part due to the presence of unauthorized pets, necessitated full unit painting, flooring replacement, and excessive cleaning. Costs also included attorney fees and late fees.

The Consent Calendar received approval with a motion by Barbara Traylor-Smith, a second by Scott Aker, and a unanimous vote.

3. Report from the Finance and Audit Committee

Tim Hudner gave the Finance and Audit Committee report. He stated that the GJHA Audit would not be distributed today but would be forthcoming to the Board for review. Approval of the GJHA Audit will be a Consent Calendar item on the June GJHA Board Meeting Agenda. Committee conversation with the auditor and follow-up discussion with the Board included:

- GJHA received a clean Audit with no finding or significant issues.
 - Jody Kole said accolades are in order for both the Compliance and Finance staff.
- The Committee recommends Board acceptance of the GJHA Audit.

Reporting on the Quarterly Financial Statements included:

- Variances are for the new office facility at 8 Foresight Circle, Nellie Bechtel Apartments, and The Highlands 1, and are due to cash in transit.
- Financials give a strong organizational picture.
- The U.S. Department of Housing and Urban Development (HUD) Housing Assistance Payment (HAP) Admin funding is slightly ahead of budget projections.

Lori Rosendahl noted a new format for financials that includes the addition of quarterly data. Board feedback indicated the additional information is helpful.

The May 16, 2016 memo written by Amy Case and distributed by Lori Rosendahl today addressed the requested Release of General Fund Reserves for Ratekin Tower and Crystal Brook Townhomes and the Settlement of Walnut Park / Crystal Brook Residual Receipts Note. Lori Rosendahl stated the Finance Committee previously discussed both of these issues. Board consideration is requested today.

Lori Rosendahl, Tim Hudner, and Jody Kole gave explanations and history on the proposed requests. General discussion ensued.

- *Release of General Fund Reserves for Ratekin Tower and Crystal Brook Townhomes*
 - The Finance Committee and staff are reviewing methods to unencumber Reserves and become more flexible in the ability to respond to emergency operational cash needs or to take advantage of future opportunities.
 - Making the financials easier to read when tracking cash – currently, numerous small Reserve Accounts.
 - Ratekin Tower – This property was originally financed with a 40-year mortgage and a 20-year HUD Funding Contract. At the end of the 20 years, a mark-to-market transaction transpired with the first mortgage sized on market-rate rents less reasonable expenses. Theoretically, if the property ever lost subsidy, the property would still be financially viable because the mortgage is supported by market rate rents. The remaining debt was put into second and third mortgages held by HUD. The GJHA Board established a Reserve Account in the General Fund to plan for a potentially large balloon payment due in 2033. This is a “rainy day fund” to protect GJHA and cover the HUD-held second and third mortgages should HUD require it at a future date. The Reserve Account restrictions are self-imposed by the GJHA Board. The account balance and future distributions for Ratekin Tower would be released to the General Fund Allocated Cash Account.

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- Crystal Brook – A restricted fund, established in the late 1990’s while Crystal Brook was controlled by a tax credit partnership, protected GJHA’s interest in the partnership. This Reserve Account is no longer necessary due to the dissolution of the Tax Credit Partnership. The account balance for Crystal Brook will be transferred to the Crystal Brook Balance Sheet as a locally determined Reserve Account for use by Crystal Brook.
- There are no immediate plans to spend these funds. Reserve funds will not be compromised. Board authorization will be necessary to utilize.
- *Settlement of Walnut Park / Crystal Brook Residual Receipts Note*
 - This is a soft loan executed in 1996 from Walnut Park’s Residual Receipts Account to the Crystal Brook Townhomes, LP, which is since dissolved. The debt is owed by Crystal Brook to Walnut Park. Besides the annual payments made by Crystal Brook to Walnut Park, monthly reserve contributions are being made to a Crystal Brook Restricted Account as a sinking fund to retire a balloon payment due in 2017. While well-maintained, Walnut Park has increasing physical needs. With the mortgage refinance of Walnut Park, HUD no longer monitors the Residual Receipts of Walnut Park. Repayment would increase Walnut Park’s Reserves and decrease Crystal Brook’s monthly expenses. Lori Rosendahl recommended a partial forgiveness of outstanding interest.

Board Members decided to further digest the above referenced memo dated May 16, 2016 from Amy Case, and revisit the request at the June Board Meeting.

Tim Hudner reported the Committee considered the possibility of utilizing some of the available Unrestricted Cash upon Board approval to apply to reduction of outstanding debt. However, the Committee decided to wait on spending any cash at this particular time.

GJHA engaged Hawkins Ash, our current auditors, to conduct a review of the performance of the Tax Credit properties as compared to the investors’ expectations from their investment pro forma. Investors plan to receive a certain flow of benefits over their 15-year investment period. If our management of the property does not result in a flow of benefits at least as great as the investor projected (and paid for), GJHA is responsible for making the investor whole, financially. The consultant will provide any mid-term course correction advice to bring the properties actual performance closer to goal.

The Quarterly and Year-to-Date Financial Statements as of March 31, 2016 received Board acceptance with a motion by Scott Aker, a second by Tami Beard, and a unanimous vote.

4. Board to Revisit Meeting Schedule and Review / Discuss Length of Terms of Board Members

Review / Discuss Length of Terms of Board Members

Jody Kole said that the State Legislature passed a new law making it optional for local communities with housing authorities to determine a term of service shorter than five years for housing authority board members.

Because the term length is stated as five years in the State Statutes, smaller housing authorities experience difficulty with individuals willing to commit to a 5-year board term. The GJHA Board now has the option to ask the Grand Junction City Council to establish a shorter term length for its Board Members.

Brief discussion addressed benefits of the GJHA Board Member 5-year term. A longer term allows time for the steep learning curve and there is value in long-term knowledge. Barbara Traylor-Smith noted that resignation is always an option, if necessary. The group agreed not to seek a change to shorter Board Member terms. Jody Kole will notify the Grand Junction City Clerk of the Board's decision.

Chris Launer said dialogue occurred during the new Board Member orientation process for John Howe and Jerry Schafer regarding acronyms used by GJHA staff. Subsequently, Jody Kole compiled a list of affordable housing acronyms / definitions used in the industry, and Chris Launer distributed the document at today's meeting. These acronyms are frequently used by GJHA staff, and will aid in Board Members' further understanding and recognition of the terminology. Staff will strive to use fewer unexplained acronyms and industry jargon.

Revisit Meeting Schedule

Lori Rosendahl stated that with the revised Board Meeting Schedule on the third Tuesday of the month, it is a challenge for the GJHA Finance Department to meet a timely monthly review by the Finance and Audit Committee of updated financial information. Current financial information is available by the middle of each month. With a Board Meeting the third week of the month, little time is available for a Finance and Audit Committee review before information is distributed to Board Members in preparation of the Board Meeting.

Lori Rosendahl suggested returning to the original Board Meeting schedule of the fourth Monday of the month. This schedule allows sufficient time during the third week of the

month for both the Finance Department to prepare and the Finance and Audit Committee to review the monthly financial information prior to Board distribution.

Board Members reviewed schedules and availability. The group decided regular Board Meetings will be held on the fourth Monday of the month, beginning at 5:00 p.m. effective July 25, 2016. The Finance and Audit Committee will meet the third Tuesday of the month, beginning at 11:30 a.m. effective July 19, 2016. The June Board Meeting will be June 21, 2016, beginning at 5:00 p.m. with the Finance and Audit Committee meeting June 20, 2016, beginning at 7:30 a.m. All meetings will be held at 8 Foresight Circle unless specified otherwise. Kristine Franz has the action item to distribute a revised Board Meeting / Finance and Audit Committee Meeting Schedule to all participants.

Barbara Traylor-Smith said that she is not available for the June 21, 2016 Board Meeting.

5. Strategic Plan Update

In response to the Board's request for a slightly different format for updates to the Strategic Plan, Jody Kole distributed a new layout and requested Board input. This Quarterly Report represents the 1st Quarter of 2016.

Jody Kole said that progress is steady and on target to achieve four of the six Goals. The Objective to acquire the Nellie Bechtel Apartments is met and identified within *Goal III: Meet the Need for Affordable Housing*.

Jody Kole discussed *Goal I: Maximize Use of Current Housing* as follows:

- Obtaining the HUD Section 8bb HAP Contracts for the properties of Nellie Bechtel and The Highlands 1 and 2 will not be met as forecasted. Resources previously believed available to reallocate to new properties are now apparently unavailable. At this time, it is believed that if contracts are received they will cover only up to 23 units at the Nellie Bechtel Apartments instead of 96, and the 12 Americans with Disabilities Act (ADA) units at Walnut Park.
- The financing strategy for the Nellie Bechtel Apartments is being reformulated. Other funding avenues being pursued for the Nellie Bechtel Apartments include:
 - Submittal of an Application to the City of Grand Junction for Community Development Block Grant (CDBG) funds (capital improvements).
 - Submittal of an Application to the Federal Home Loan Bank of Topeka (FHLBT) for Affordable Housing Program (AHP) funds (capital improvements).
 - Energy Outreach Colorado (capital improvements).
 - State of Colorado Division of Housing (Bridge Loan).

- Use additional Project-Based Vouchers (operating subsidy).

Barbara Traylor-Smith asked how efficiency levels will be affected upon achievement of *Goal IV: Optimize IT and Related Technology for Greater Stability and Efficiency*. Lori Rosendahl responded that probably one quarter of the GJHA clients will utilize the on-line rent payment system. Jody Kole said that client applicants will be able to enter their own application data which will save considerable data entry time by the eligibility staff.

Barbara Traylor-Smith departed the meeting at 5:50 p.m.

Chris Launer asked how or if Strategic Plan Goals / Objectives are modified throughout the year. Jody Kole said that prior conversations addressing this topic resulted in mixed responses. Some Board Members recommended modifying the expectations as reality changes the outcome that is beyond staff's control. Others proposed to leave the Goals / Objectives as originally stated and add updated status comments, noting glitches beyond staff's control, etc. Chris Launer suggested that this document might be a tool to be used both by the Board to keep track of the status and as a management tool for staff to help outline priorities. Additional group dialogue addressed topics including:

- Leaving the original Goals / Objectives on updated reports and documenting challenges encountered.
- Keeping the original Goals / Objectives on updated reports serves as a record of past decision making.
- Combining both the historical Goals / Objectives and present modifications by creating a rolling accountability over the next five quarters.
- Staff created this document just for this meeting and requests Board feedback – potential to be a useful management tool.
 - Staff received positive comments from Board Members on the proposed format of the quarterly update.
- Quarterly updates are proposed.
- Is the intent to shift away from the Balance Score Card document or is this format created to visualize updates? – useful for everyone or just Board Members?
- The Balanced Score Card will continue to be used. Formats of reports may adjust over time.
- Sharing this document with supervisors will enhance staff's understanding of the status of Goals / Objectives.
- The Wildly Important Goal remains *Goal II: Real Estate Development*.

6. The Highlands Update

Jody Kole gave the group the following update on the progress at The Highlands:

- The earth-work is well underway.

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- The large, old, and somewhat unsafe elm trees on the west boundary of the property have been removed.
- The water lines are placed in the street.
- The storm drainage vault is placed and the storm drainage line will be built around the west and south boundaries of the property.
- The concrete elevator pit is poured.
- Foundations are framed for the west and south quadrants of the first building.
- There are additional costs from Xcel for undergrounding of overhead utilities not included in the original budget for site utilities. Lines that are on the south side of Bookcliff Avenue need to connect to the north side so it is necessary to bore a line. There are underground bores required for Century Link and Charter, and they will also charge undergrounding fees. The Contingency will be used for this expense.
- The elevator is most challenging. There are two kinds of elevators being considered, traction and hydraulic. GJHA staff chose the traction elevator manufactured by Otis Elevators (Otis) because it is quieter and faster. Some service agreement language in the 5-year Otis Elevator Maintenance Agreement are predisposed in favor of Otis. GJ is currently negotiating with Otis to make the language more equitable. Shaw Builders has provided adequate utility rough-ins to the elevator pit to accommodate either a traction or hydraulic elevator system in case negotiations with Otis break down.
- Jody Kole confirmed with Mike Pacheco of the Colorado Housing and Finance Authority (CHFA) that to be eligible to apply for the 9% Low Income Housing Tax Credits next year for The Highlands 2, Tax Credit Carry-Over status for The Highlands 1 must be completed by August 20, 2016.
- The intended approach is to finish The Highlands 2 before starting on Phase 2 of Village Park.
 - Once completed, if the community / amenity area appears to have an abundant amount of vacant space, the option to amend that space into three or four additional apartments will be explored. Prior communication with City staff indicates an application and narrative will be needed for any modifications.
- Chris Launer asked Scott Aker to comment, from a neighbor's point of view, on the on-site construction crew. Scott Aker said that the crew is doing well in all areas with very little neighborhood disruption.

Jody Kole answered a question posed by Scott Aker. Legislators passed the extension of State Tax Credits which are now renewed for three more years.

Legislators passed legislation clarifying that property owned by a housing authority or by an entity in which a housing authority owns an interest is exempt from sales and

use tax during construction. Therefore, the budgeted amount of \$105K for sales and use tax on materials used at The Highlands 1 will not have to be paid. However, once the Certificate of Occupancy is issued for The Highlands 1, then the development becomes taxable. Also included in the legislation, is that anything built from January 1, 2013 forward will qualify for a refund. It is probable that GJHA will request a refund for Village Park. Jody Kole clarified that GJHA does not pay real property tax on its properties but does pay sales and use tax on materials used in its Tax Credit properties.

John Howe asked what the real property status is for GJHA. Jody Kole said that GJHA as well as entities which have partial ownership by housing authorities in real estate used for affordable housing are not taxed. Impact Fees have been paid in the past by GJHA for its Tax Credit properties. Jody encouraged future discussion and legal clarification to determine if GJHA is subject to pay Impact Fees.

Chris Launer asked about the status of *Goal VI: Build Adequate Staff Capacity for Current and Future Needs (succession planning)*, to which Jody Kole said progress is lagging but not forgotten.

7. 8 Foresight Circle Update

Jody Kole announced that as of May 20, 2016 the GJHA facility at 1011 N. 10th Street will no longer be the home of GJHA. Closed to clients for only two days for moving, GJHA will reopen at its new home at 8 Foresight Circle, May 24, 2016 at 8:00 a.m.

Jody spoke to items of interest:

- Most furnishings from the 10th Street facility will be used at the new location in an effort to be frugal.
- The landscaping in front of the building will be xeriscape to help reduce ground water.
- Because of a recently discovered faulty sewer line, a new sewer line is being installed.
- The IT staff is working diligently moving the audio visual equipment, telephone system, and computer equipment.

Brief dialogue addressed hosting either a grand opening, a ribbon cutting, or an open house and whom might be invited. A low-key open house will be scheduled soon. Jody Kole said that a basic press release will be issued to inform clients of the new location. GJHA landlords, vendors, clients, and mortgage / real estate companies

involved with the Homeownership Program have all received notification of the move.

Jody noted that she recently received word “second hand” that the earlier objection from a local unsuccessful vendor regarding the purchase of new office furniture is still circulating. Jody reiterated the purchasing history process and follow up for the benefit of John Howe, the new Board Member.

Currently, the building at 1011 N. 10th Street is not being actively marketed for sale. The facility will be thoroughly cleaned before the property is listed. An appraisal was completed roughly four years ago. This property is currently pledged as partial collateral for the purchase of the Monument Business Center (MBC).

Board Members issued congratulatory remarks to the staff for all the dedication and diligent work over the last several months in dealing with the tremendous work load.

8. Other Business

Board Member Orientation Manual

Board Members are encouraged to take an updated Orientation Manual for part of their reference material.

Colorado NAHRO President

Lori Rosendahl received accolades from the Board for being elected the Colorado NAHRO President. The term is for two years. The responsibilities of the President include chairing the Colorado NAHRO Conference. That Conference recently occurred in Vail, Colorado. Lori acknowledged the GJHA staff who assisted with various Conference tasks and replaced absent individuals at the last minute to cover responsibilities.

9. Adjourn

With the completion of business, the meeting adjourned at 6:10 p.m.

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