

MINUTES

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

Monday, October 24, 2016
8 Foresight Circle
5:00 p.m.

The group introduced themselves to a guest, Mr. Lee Ellingson, prior to convening the regular October Board Meeting.

1. Call to Order

Grand Junction Housing Authority (GJHA) Board Chair Chris Launer called the regular GJHA October Board Meeting to order at 5:05 p.m. on Monday, October 24, 2016 with the following individuals present: Board Members Scott Aker, Tami Beard, John Howe, Tim Hudner, and Barbara Traylor-Smith; Staff Members Controller Amy Case, Special Projects Coordinator Danette Buck, Executive Assistant Kristine Franz, Director of Facilities and Development Tim Spach, and Business Manager Racquel Wertz; and guest, Mr. Lee Ellingson. Board Member Jerry Schafer and Chief Executive Officer Jody Kole did not attend the meeting. Board Members present represented a quorum.

2. Housing America Video

Board Members enjoyed the video presentation shown at the National Association of Housing and Redevelopment Officials third annual Housing America event held in Grand Junction last week. The Grand Junction Housing Coalition hosted the event comprised of a combined presentation, executive round table question and answer session, and property tour with the chosen theme, "Health, Hunger & Housing – The Gaps". Showcasing affordable housing in the Grand Valley helped advocate the critical need for safe, decent and affordable housing for individuals, our communities and the local economy. Document distribution to Board Members included the Housing America event program and table placemat.

Mr. Mike Berry, the co-founder of the Kids Aid Colorado (Kids Aid) program spoke at the event. In 2008, Mr. Berry's family began delivering backpacks of food to needy children at a local elementary school. This program continues to expand today. Mesa County District No. 51 school personnel identifies by school the number of bags of food for needy school-age children and provides the information to Kids Aid. Volunteers and clients of a local organization called Strive bag community food donations for the children to take home for weekend food. The Board and staff viewed a slide show highlighting the process, beginning with unloading the donated food at the Kids Aid warehouse to the final food bag. Distributed food bags last week totaled 2,083.

Danette Buck briefly reported on the successful Housing America event, requested feedback, and stated that ideas are already being considered for next year's event. Barbara Traylor Smith provided event feedback. Further discussion included:

- Barbara Traylor Smith mentioned brainstorming ideas that included:
 - The need for a partner organization to take the lead role in this Housing America partnership, keep community and governmental agencies aware of how the partnership is working together, what is occurring, and when.
 - Helping individuals, and in particular, stranded travelers and / or people recently released from correctional / mental rehabilitation facilities who are in need of transportation to continue traveling to a particular destination.
 - Housing is critical in establishing individual stability, whether in Grand Junction or elsewhere.
 - A suggested idea is to create a community offering day to collect funds for a travelers' program. Funds would be used to help stranded people needing traveling assistance such as a bus ticket or vehicle fuel to travel from or through Grand Junction and on to another destination.
- Amy Case talked about an upcoming forum that might be beneficial to attend sponsored by Housing Colorado called Housing Ex-Offenders.

3. Consent Calendar

Board Members received *Resolution No. 2016-10-05 Approving Section 8 Management Assessment Program (SEMAP) Certification*. With no questions or comments, the Board approved the Consent Calendar with a motion by Barbara Traylor Smith, a second by Scott Aker, and a unanimous vote. Items on the Consent Calendar included: *Request Adoption of Minutes for September 14, 2016; Resolution No. 2016-10-01 Authorizing the CEO to Execute the Community Development Block Grant Contract for Nellie Bechtel Apartments; Resolution No. 2016-10-02 Appointing Individuals to the Doors 2 Success Board; and Resolution No. 2016-10-05 Approving Section 8 Management Assessment Program Certification*.

4. Report from the Finance and Audit Committee

The Finance and Audit Committee Chair, Tim Hudner, gave the Committee report as follows:

Bad Debt Write Off Policy Change and Adoption of Resolution No. 2016-10-03

As requested by the Board during the September 14, 2016 Board meeting to further discuss the current bad debt write off procedure, staff and the Finance / Audit Committee proposed a revised Bad Debt Policy for Board consideration. With the CEO operating within the amended Policy guidelines, Board delegation would be given individually to the CEO to write off bad debts as appropriate in the normal course of operations without Board review / approval. The CEO would notify the Board of a proposed unusual write

off. The Board would receive an annual report at the end of the fiscal year listing all bad debt write offs.

Scott Aker asked if additional Policy language should also be included in the proposed Resolution. John Howe asked for clarification on how the write offs would be reported to the Board - through financial statements, a separate report, etc. Amy Case said the quarterly bad debt write off amount will be addressed in the Controller's quarterly financial reporting recap. John Howe also suggested the Resolution reflect that annual reporting to the Board will be done as stated in the revised Policy. Barbara Traylor Smith posed the question, is the Board comfortable with the Policy or just the fact that Jody Kole is the CEO with Board direction to write off the bad debts. The Board agreed it is comfortable with the Policy. The financial review by the Finance / Audit Committee and the internal checks and balance system of the financial reporting provides additional examination.

With the Board's verbal direction and consensus, amendments to *Resolution No. 2016-10-03 Approving the Bad Debt Write Off Policy* include the following:

The Chief Executive Officer will ensure that bad debts written off each quarter are included in a financial report to the Board. The Chief Executive Officer will also ensure that a report is made to the Board of all bad debts (cumulatively) written off during a fiscal year at the first regularly scheduled Board Meeting of the next fiscal year.

A motion by Scott Aker, a second by Tami Beard, and a unanimous vote approved amended Resolution No. 2016-10-03. The amended Resolution will be included in the Interesting Readings section of the next Board packet as information only.

Update on Status of Draft Quarterly Financial Statements that Ended September 30, 2016

Tim Hudner said that the quarterly financial statements are presented in draft form today. These year-end financials will be adjusted for year-end accruals and any audit adjustments. Board acceptance of final quarterly financial statements will be an Agenda item at a future Board Meeting.

Amy Case said the Finance / Audit Committee asked for clarification of the overage in the Compensation Budget shown on the Combined Operating Statement.

Note: Amy Case said that the year-end accruals are completed for the wages payable compensation, and the \$90K overage is reduced to \$50K.

The overage is due to three programs:

- The Homeownership program required additional administrative support to meet extensive workload demands.
- The lead property manager and other staff needed to assist with the transition at Nellie Bechtel.
 - Tim Hudner and Amy Case said that revenue overages occurred in maintenance and management with the transition of Nellie Bechtel into the portfolio.
- With the departure of a senior management employee, earned leave needed to be paid.
 - Tim Hudner asked if consideration is ever given to a policy that periodically allows employees to cash out on earned leave. Amy Case said some employees took advantage of that opportunity several years ago with that offered option.
 - Currently, there is a ceiling on both annual and sick leave accrual. Once the maximum sick leave is reached, a 3-1 conversion rate for sick leave to annual leave applies.

Earlier in the day, Chris Launer asked that financial documents be available for distribution and review at the Board Meeting which included the Cash Reserve Analysis, the Hard and Soft Debt Schedules, the General Fund Statement of Cash Flows, and the Vouchers Operating Statement. These documents will become part of the regular financial statement package given to Board Members, as requested by Chris Launer.

Chris Launer commented that the Cash Reserve Analysis is a simplistic way to understand undesignated funds that could be available to cover emergencies or opportunities. The Board agreed the Analysis is very helpful.

Update on HCV Housing Assistance Payment Recapture by HUD

Referencing her memo on October 20, 2016 regarding the Housing Choice Voucher (HCV) Housing Assistance Payment (HAP) Recapture by the U.S. Department of Housing and Urban Development (HUD), Amy Case answered questions, gave the history, explained the recapture of HAP by HUD, and provided the current status:

- Chris Launer asked how over leasing occurred:
 - HUD funds public housing authorities with a “Budget Authority” amount that is intended to cover an awarded number of Voucher-supported units per year. Public Housing Authorities are not allowed to expend more than their allocated Budget Authority nor lease more than their awarded number of units. Arriving at exactly the right spot on both bench-marks is challenging.

- The HCV Program ended the 2013 calendar year under sequester and under-leased. With the funding uncertainty because of sequester, GJHA opted to take the conservative leasing approach until its 2014 Voucher Budget Authority Notification was received. GJHA did not receive its Budget Authority Notification until the end of May. Recovery efforts of the necessary under-leasing began immediately, and GJHA completed the 2014 year 98% leased, earning the High Performer status.
- With most of the leasing occurring in the final four months of 2014, the new year of 2015 began over leased. Attrition did not lower numbers as expected over the summer months and the year ended over leased.
- If an agency is over-leased in units, the normal process is for HUD to recapture HAP. The customary calculation process is to give GJHA the opportunity to select households to be counted as “over leased”, normally those receiving the least federal support. At its discretion, GJHA would select households receiving zero HAP or HAP under \$100 as the over-leased units.
- HUD based its recapture amount on inaccurate data. HUD assigned a figure based on GJHA’s average per unit cost and the number of units over leased. HUD recaptured approximately \$350K versus GJHA’s anticipated figure of \$49-\$50K.
 - In this situation, GJHA is very concerned with the HUD recapture effect on the Administrative Fee Reserves. Generally, if HUD paid an agency more housing assistance dollars than needed, the dollars are held in Reserves for the agency. In this incident, HUD determined GJHA is over leased in excess of the units allowed, therefore GJHA must utilize its Administrative Fees to pay the HAP for the over-leased units.
 - GJHA does not dispute that some over leasing occurred, but is challenging the miscalculation by HUD. At the request of HUD, GJHA submitted documentation showing GJHA’s calculations of approximately \$69K for over-leased fees.
 - The HCV Program is experiencing an immediate cash shortfall due to HUD’s recapture and anticipated future recapture of Administrative Fees.
 - Today Amy Case talked with the HUD financial management analyst working with GJHA who is in the process of verifying GJHA calculations. If a HUD decision is reached in favor of GJHA, a HAP disbursement recovery will stabilize the HCV cash position.
- Amy explained the chart shown in her October 20, 2016 memo that projected potential sources and uses of cash during the remainder of calendar year 2016.

Presentation of Calendar Year 2017 Budgets for Tax Credit Properties and Request Approval of Resolution No. 2016-10-04 Adopting Operating Budgets for Calendar Year 2017 for Arbor Vista, Linden Pointe, and Village Park

Amy Case presented highlights of the 2017 Budgets for the Tax Credit properties as follows:

- A projected performance for current calendar / fiscal year end indicates a projected growth in Net Operating Income for all properties.
- Rents are projected to grow at 3% based on approved rent increases for all properties.
- GJHA's hourly charge rate for repair and maintenance increased from \$40 to \$44.
- Linden Pointe's adjusted cash flow at year end is projected to be negative after approximately \$120K is distributed to the GJHA General Fund for payments on accrued interest and soft debt based on 2016 performance. This is acceptable in the coming year as Linden Pointe has an excessively large operating cash balance based on auditor miscalculated distributions in prior years.
 - Tim Hudner said the property running at a small cash flow loss is a discretionary decision.
 - Chris Launer asked if this direction is part of a recommendation from the auditing consultant engaged to provide a second opinion, to which Tim Hudner said no. To further explain, GJHA engaged its 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. Because Board / staff questioned some conclusions in this report, GJHA requested a second opinion from a specialized auditing firm with more knowledge / experience in tax credit partnership audits. Discussion on this topic will continue in the future once information is assessed by the Finance / Audit Committee and staff.

Referencing the October 12, 2016 memo authored by Amy Case regarding the Tax Credit Properties and included in the Board Packet material, Chris Launer referenced the \$452K in Earned Income that is anticipated to be paid from the tax credit properties to GJHA's General Fund. Chris Launer asked what GJHA's costs are to provide the overhead services. Amy Case said that approximately a \$1.50/hr. margin is factored into the maintenance labor, and the accounting and computer service fees are reimbursed entirely. The cost to provide management is slightly more difficult to analyze, but the administration and overhead costs are charged 100% to the property, when they can be itemized.

With no further discussion, *Resolution No. 2016-10-04 Adopting Operating Budgets for Calendar Year 2017 for Arbor Vista, Linden Pointe, and Village Park* received

unanimous approval with a motion by Tami Beard and a second by Barbara Traylor Smith.

5. Resolution No. 2016-10-06 Authorizing the Execution of Walnut Park Apartments Housing Assistance Payment Contract, Preservation Exhibit, and Related Documents

Amy Case gave the group a history snapshot pertaining to the Project-Based Voucher HAP Contract at Walnut Park Apartments. In May of 2015, GJHA requested HUD transfer GJHA's expiring Budget Authority for a 12-unit Project-Based Voucher HAP Contract assigned to the 12 Americans with Disabilities Act units at Walnut Park to either an existing or new contract. HUD may transfer expiring Budget Authority, and in this case the transfer would increase GJHA's Tenant-Based voucher inventory by 12 units that could assist other eligible households in the community.

Last week, GJHA received from HUD a HAP Contract package approving GJHA's request, increasing the 78-unit Section 8 Contract to 90 units for the Walnut Park Apartments. A Contract stipulation for GJHA extends its commitment to preserve unit affordability at this complex until the year 2055. Brief discussion included pros and cons of this obligation.

Amy Case explained the Preservation Exhibit document saying that it is not a deed, but has an impact in that GJHA commits to renew the HAP Contract and continues to provide affordable units to eligible households.

With the execution of the required documents and submission of a revised Operating Budget, a new 90-unit Section 8 Contract will become effective November 1, 2016. With Board Members in agreement, *Resolution No. 2016-10-06 Authorizing the Execution of Walnut Park Apartments Housing Assistance Payment Contract, Preservation Exhibit, and Related Documents* passed unanimously with a motion by Scott Aker and a second by Tami Beard.

6. Update on Strategic Plan

Board Members received the third quarter update on the Strategic Plan for FY 2015-2016. Due to the absence of Jody Kole, Chris Launer suggested thorough review and discussion be deferred until later. Status changes are reflected in the update applicable to certain Goals. A complete review of the update did not occur.

NOTE: Status changes mentioned during the meeting are in italics as follows:

- Goal 1: Maximize Use of Current Housing
 - Objective: Obtain HUD 8bb contract
 - Nellie Bechtel
 - ❖ Key Measure: 8bb Contract to be in place 6/30
 - *Denver HUD office received approval of 8bb Contract for 47 units. Funding and contracts pending. Projected effective date: December 1st. GJHA Project-Based 37 Vouchers at Nellie Bechtel for total of 84 out of 96 units with rental assistance. Real Estate Assessment Center (REAC) inspection pending.*
 - Walnut Park ADA
 - ❖ Key Measure: 8bb Contract to be in place by 6/30
 - *Contracts received. Pending Board consideration 10/24/16. Effective date: November 1st.*
- Goal 11: Real Estate Development – Wildly Important Goal
 - Objective: Highlands 1 Carry-over submitted to and approved by CHFA, tax credits fully committed (FY 2016)
 - Highlands 1
 - ❖ Status: *Carryover Application submitted to CHFA 8/17/16. Approved 9/7/16. Carryover Allocation Agreement to be executed by 10/31/16.*
 - ❖ Key Measure: In “good standing” with Limited Partner Agreement and meeting contract milestones.
 - *Amy Case said that the first equity draw is fully completed; the second of two Colorado Division of Housing draws will be completed by month end. Currently, working through a construction draw.*
 - ❖ Key Measure: Lease up 100% within 90 days of taking possession, 13 months post start (FY 2017).
 - *Nothing to report in 2016. 2.6% vacancy rate. Threshold should be easy to obtain. Currently over 460* on Wait List.*
 - *The vacancy rate increased from 1.3%.*
 - **Due to a recent purge, the Wait List numbers decreased to 400. Racquel Wertz explained the purge process.*

- Objective: Highlands Phase 2 design and funding complete (FY 2017)
 - Highlands 2
 - ❖ Key Measure: Obtain CHFA tax credit award through annual 9% competition
 - *Design-Build team of Shaw / Oz Architects selected 9/14/16. Kick off meeting 10/20/16. On target for 6/1/17 completed LIHTC Application to CHFA. Will seek competitive proposals for Debt and Equity 1Q 2017.*

7. Update on The Highlands

The Highlands 1

Tim Spach gave the update on The Highlands 1. In preparing for the winter weather, the first lift of asphalt for the parking lot is down, and the structure will be “dried in” as of this week. Interior rough-ins (mechanical, plumbing, wiring) are well along with plans to begin the exterior finishes (masonry, stucco) next week. The project is still two-three weeks ahead of schedule. Anticipated tenant move-ins are projected for spring of 2017.

The Highlands 2

Tim Spach provided the update on The Highlands 2 development by informing the group that the “kick-off meeting” occurred last week between Shaw Construction and GJHA. Topics discussed included:

- Lessons learned from The Highlands 1.
- Site logistics. What infrastructure can be completed early to lessen the construction disruption for the tenants living at The Highlands 1.
- A possible structural redesign from a mechanical point-of-view (kitchen venting improvements, etc.).
- Are all individuals satisfied with the subcontractors that worked on The Highlands 1. Using local companies is preferred.
- Focus on facilitating the ease of tying together the two buildings.

As previously discussed, an aggressive schedule will need to be maintained in order to complete the planned strategies for the best possible LIHTC Application submittal to CHFA. A construction start of late fall of 2017 is possible if Tax Credits are awarded. Scott Aker asked that in anticipation of CHFA’s approval of LIHTCs for The Highlands 2 and acknowledging the risk and cost incurred, does the amount to minimize the impact to the tenants change the amount we are willing to spend to get to the target phase, and if so, what would be that amount. Until the financing is in place, the challenge is to

determine what development activity can be done now to lessen the effect on the tenants during the development of The Highlands 2. Amy Case answered Tim Hudner's question stating costs for The Highlands 2 are being tracked, and currently \$85K in expenditures are "booked" in the Acquisition and Development Budget for this year. Some costs were incurred last year also.

At the request of Chris Launer, continued financial discussion on The Highlands 2 will be an Agenda item at the next Board Meeting.

Documented in the July 25, 2016 Board Meeting Minutes, Jody Kole stated that a request will be submitted to the Grand Junction City Council for the support for local grant funding for The Highlands 2. Local funding participation is a pre-requisite for funding from the State Division of Housing. In the past, the City of Grand Junction (City) paid the City's Development Impact Fees on behalf of GJHA. That request was submitted, and today Barbara Traylor Smith answered John Howe's inquiry saying the fee waiver for The Highlands 2 currently is in the City's Budget for next year.

8. Other Business

As a Housing Colorado Board Member, Amy Case said that Housing Colorado Board Members / staff often get requests for bite-size information that can be shared with individuals in various communities regarding the housing affordability crisis in Colorado. Amy distributed the following three flyers for the Board's information and briefly commented on each one:

- *Out of Reach 2016: Colorado*
- *Paycheck to Paycheck*
- *Nobody's Home Free*

9. Adjourn

With no further business, the regular October Board Meeting adjourned at 6:38 p.m.

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