

AMENDED MINUTES

Grand Junction Housing Authority
Board of Commissioners' Meeting
March Meeting

Monday, March 20, 2017
8 Foresight Circle
5:00 p.m.

1. Call to Order

At 5:12 p.m., Grand Junction Housing Authority (GJHA) Board Chair Tami Beard called the March 20, 2017 GJHA Meeting to order. Board Members present represented a quorum, and included all seven Board Members. Those in attendance included GJHA Board Members Ivan Geer, John Howe, Tim Hudner, Chris Launer, Jerry Schafer, and Barbara Traylor Smith; Staff Members Chief Executive Officer Jody Kole, Chief Operating Officer Scott Aker, Executive Assistant Kristine Franz, and Director of Construction and Development Tim Spach. Guests included Attorney Jill Norris, and HUB Insurance representatives Jennifer Walker, Patrick Ryder, and Timothy Blanchard.

2. Consent Calendar

Items on the Consent Calendar included the following: (1) *Request Adoption of Minutes for January 13, 2017*; (2) *Request Adoption of Minutes for January 23, 2017*; (3) *Resolution No. 2017-03-02 Appointing Individuals to the Doors 2 Success Board*; (4) *Report on Cumulative Total of Bad Debt Write Off for FY 2016*.

To answer Chris Launer's question regarding the cumulative total of bad debt write off for FY 2016, Jody Kole said the total amount shows a slight increase over last year. Jody further explained that costs represent legal fees for eviction and repairs to units due to damage over and above what the damage deposit covered. Consideration is being given for increased inspections to be conducted by the property managers. Currently, only yearly inspections are made for tenants as part of the recertification process unless a complaint is received.

The Consent Calendar received Board approval with a motion by Barbara Traylor Smith, a second by John Howe, and a unanimous vote.

3. Follow-up of January 13, 2017 Meeting – Presentation and Q&A on Directors and Officers Insurance and Governmental Immunity Act

Previous questions regarding Directors and Officers Insurance and the Governmental Immunity Act arose during the January 13, 2017 Board Meeting while addressing Agenda Item No. 4 - Risk Management. Invited guests with GJHA's insurance broker, HUB International (HUB), and Attorney Jill Norris provided clarification. Amy Case introduced Jennifer Walker, Patrick Ryder, and Timothy Blanchard from HUB and Attorney Jill Norris. Timothy Blanchard gave the brief history of HUB, and distributed a

document entitled Grand Junction Housing Authority Executive Risk Review 2017 for reference.

An extensive question and answer session occurred with HUB representatives providing the following general information:

- Directors and Officers (D&O) coverage protects directors, officers, employees including staff, volunteers and committee members from lawsuits alleging various “wrongful acts” which are brought from vendors, donors, competitors, employees and government regulators.
- Without D&O coverage, a nonprofit board member may be held personally liable for the action of the organization. A few examples of how they could be held personally liable include:
 - If they personally and directly injure someone, even if unintentionally
 - If they personally guarantee some type of financial transaction that falls through.
 - If they fail to file nonprofit taxes correctly.
 - If they do something intentionally fraudulent, illegal, or clearly wrong that causes harm.
 - If they use nonprofit-allocated funds for personal needs.
- Discussed the assertion of governmental immunity as a defense in certain claim scenarios, when it is warranted. There are six waivers of government immunity.

HUB representatives answered Board and staff questions, gave claim examples, and information applicable to the GJHA policy and coverage including:

- The number one claim HUB representatives have seen for housing authorities is employment practice claims. There could also be third party claims filed by guests, clients, vendors.
 - There is adequate coverage for employment practices and third party liability coverage for GJHA. The policy covers 22 named perils of employment practices.
- Discussion occurred regarding immunity by the State of Colorado and the exceptions.
 - HUB representatives explained the difference of “acting in good faith” and “willful and wanton” and the possibility of personal liability.
 - Individuals might want to review homeowner’s insurance and personal umbrella policies for D&O coverage protection.
- Discussed the Open Records Law, specifically Executive Session compliance and procurement policy.
- Discussed losses involved in bodily injury and property damage.

- Legal defense costs could be outside or inside of coverage.
- Discussed coverage levels for GJHA exposures concerning cyber, employment practices, D&O, and property.
- Discussed coverage protecting against methamphetamine manufacture/use and the liability if other building units/tenants are affected.
- Discussed coverage under a pollution policy.

Attorney Jill Norris gave the background on of the Governmental Immunity Act. GJHA is covered under this Act.

- Actions relating to personal injury, claims to persons or property, are covered under this Act.
- Jill presented examples of possible claims and of specific exemptions.
- Does governmental immunity extend to the tax credit partnership properties?
- For clarification purposes, Chris Launer reiterated the understanding that Board Members are not covered under the Governmental Immunity Act and that protection lies in the D&O, to which Jill Norris agreed that is her understanding. John Howe stated that a claim in court would have to be for a breach of duty by the Board Member.

A proposed change to the Bylaws will be prepared to indemnify GJHA Board Members and Officers of GJHA and presented for Board approval.

Barbara Traylor Smith will request Grand Junction City (City) Attorney John Shaver contact Jill Norris for further discussion on indemnification.

All four guests departed at 6:17 p.m.

At this point in the meeting, rearrangement of Agenda items occurred.

4. Properties Update

An update of properties by Scott Aker, Amy Case, and Tim Spach focused on four properties:

- Linden Pointe

Expensive physical repair is underway at a Linden Pointe unit because of contamination as a result of methamphetamine use. The total cost is estimated to be \$32K-\$35K and covers \$3700 in vacancy loss for 5 months, \$3500-\$4500 in legal fees, and \$24K-\$30K in physical repairs.

A drug-certified testing firm from Denver, CO conducted the assessment. Testing is done in accordance with mandated state regulations, and GJHA staff is confident in the expertise and thorough testing completed by this vendor. The unit duct work needs to be removed and replaced but the cabinets and appliances do not have to be changed. The adjacent units are clean because all the units are self-contained for air conditioning and heating with a firewall in between units. The building common areas are not contaminated.

Note: Scott Aker provided Board Members with additional follow-up information with a memo dated March 24, 2017, the Methamphetamine Clearance Assessment Report from the testing firm, and the Department of Public Health and Environment State Board of Health Regulations Pertaining to the Cleanup of Methamphetamine-Affected Properties.

Appropriate staff previously received training by the local Drug Task Force. A refresher training course will be given to staff in the future. Applicable staff will be trained on how to recognize methamphetamine use and the correct steps to take going forward if usage is discovered. Currently, background checks are made on all applicants. Staff responds quickly to other tenant complaints, such as noise, smoking, and suspected drug activity, with either unit inspections or tenant dialogue. Given the potential for an increased drug environment, attention will be given to what additional controls might be implemented.

- Walnut Park
An unreported water leak in a unit at Walnut Park turned into a mold issue, which triggered asbestos testing and mitigation. The asbestos cost is not claimable on insurance, and a significant portion of the estimated \$8,500 cost is asbestos related. During this occurrence, GJHA staff did learn new techniques to test for asbestos in the future, should the need arise.
- Walnut Park Capital Improvements Project
Capital Improvements at Walnut Park included the completion of roof repairs on 5 buildings for an estimated cost of \$8,900. Handicap ramps will be upgraded this year for the Americans with Disabilities Act (ADA) units, and expansion of the laundry room will double the current room size by utilizing/remodeling an adjoining room. The expansion work will begin the week of March 20, 2017 and is estimated to take 3-4 weeks for a projected cost of \$30K.

- Ratekin Tower

Part of the substantial mechanical upgrades previously completed at Ratekin Tower included the control devices that manipulate the amount of flow to the outside cooling tower.

Undiscovered issues developed with the controls, specifically the calibration of the controls, restricting the amount of flow. This caused a frozen coil during the extreme cold weather. Upon becoming aware of the problem in late February, the maintenance staff immediately drained down the cooling tower. Tenants cooperated with the request by GJHA staff to open windows instead of using the air conditioners during the repair period. GJHA staff also provided fans to the tenants as needed.

GJHA received an insurance settlement for the entire amount of the repair costs, less the deductible. Currently, GJHA's insurance firm is subrogating against the insurance company for the Control Vendor in an attempt to recover the \$5K deductible amount. The total impact amount is approximately \$40K.

The coil has since been replaced.

To reduce the chance of this event reoccurring, security alarms are now installed to identify and signal in the event of low flow, and procedures are being established to drain down the cooling tower, if necessary.

- Village Park

Upon completion of the construction and turnover of the development of Village Park to GJHA in early 2014, unusual drywall cracking in several units began to be observed. Staff worked through investigative assessment and repair strategies with the General Contractor, Shaw Construction (Shaw), as well as the structural engineer. A roof truss member deflecting under a normal load and departing the load onto a non-load bearing wall was believed to be the cause of the deflection and cracking. Basically, the wall was not designed to be load bearing. Project drawings provided no details or direction to mitigate that deflection, identifying deficiencies in details provided by the structural engineer. GJHA took the position that responsibility for correcting this problem resided with the Design/Build team.

Over the course of the next two years, attempts to correct the problem included:

- As directed by the structural engineer with a repair directive, Shaw relieved the contact point between the trusses and the top plate of the

non-load bearing wall. Repair occurred through the attic access in late 2014. Follow up assessment by staff in the spring of 2015 determined this repair failed, as cracking continued.

- Negotiations continued to determine further cracking resolution. In late 2016, all parties agreed to have the drywall removed from the affected ceiling area, and correct the problem from underneath. Because this approach is disruptive for tenants, work began on only two units as test units.
- In the spring of 2017, Shaw, the design team, three structural engineers, and several GJHA staff assessed the two units. Satisfied with the results, GJHA asked Shaw to move forward with repairs in the remaining units. There are a total of 72 units at Village Park with 33 of these units affected with the drywall cracking.
- Recently, Shaw hired an independent engineer to provide a second opinion. That assessment is currently underway. GJHA received from Shaw a verbal commitment to take care of these issues to the satisfaction of GJHA. The estimate per affected unit is \$4K per unit.

Tim Spach said that Jody Kole insisted future development drawings be unambiguous. Details will be incorporated in the building design of The Highlands 2 so there is no question that responsibility lies at the correct level. Brief discussion transpired regarding design/build versus design/bid/build approach.

- Nellie Bechtel Apartments

GJHA was recently awarded a newly revised low-interest loan and a grant from the Colorado Division of Housing (CDOH) and a Community Development Block Grant (CDBG) from the City for renovation work at the Nellie Bechtel Apartments. Funding will be used for health and safety improvements, such as upgrades for accessible lifts in all buildings, evaporative cooler replacements, flat roofing repairs, and lever door knobs. The renovation funding includes a \$75K CDBG, a low-interest loan of \$728K, and \$540K in grant funding for a total impact of \$1,393M. Included in that figure is \$120K for the internal management of the project as a Developer Fee for GJHA.

To answer Ivan's question, Jody Kole said that a Budget Revision will be done to incorporate the grant funding and expenses now that actual figures are received.

5. Update on The Highlands

The Highlands 1

Jody Kole distributed photographs of two units at The Highlands 1, and gave the following update:

- A temporary Certificate of Occupancy is expected to be issued by April 28, 2017.
- Most, if not all, units will be pre-leased by the issuance date of the Certificate of Occupancy with resident move-ins to begin early in May 2017.
- A videographer will be on site tomorrow, March 21, 2017 to shoot a video of two apartments. The video can be viewed on The Highlands web site at: www.thehighlandsgj.com.
- A dedication ceremony is tentatively planned for May 4, 2017 at 3:00 p.m.
Note: The date for the Dedication Ceremony is May 5, 2017 at 1:00 p.m.
- With the anticipation of all units leased by the end of May 2017, the Equity Investor will begin receiving tax credits ahead of schedule. As part of the Partnership Agreement, GJHA should receive a bonus for early lease up.

The Highlands 2

Highlights given by Jody Kole relating to The Highlands 2 included:

- Issuance of a Building Permit is expected prior to the submittal of the Tax Credit Application to CHFA, demonstrating a “shovel ready” status.
- On-going dialogue with Shaw includes the potential of GJHA authorizing Shaw to do a certain level of earth work prior to tenants moving into The Highlands 1. This will minimize the impact to tenants in dealing with noisy/dirty work during occupancy, and allow an early start on the 13-month construction period. Once estimates are received, costs will be presented to the Board for consideration.
- GJHA advanced roughly \$879K for The Highlands 2. Of that total, \$220,583 was spent for land acquisition, \$111,256 was spent for construction in progress, and \$547,531 is committed for the design contract with Shaw and OZ. Repayment of this up-front investment will be received once there is a signed Partnership Agreement with the Equity Investor. Lengthy group discussion ensued covering topics including:
 - With the predicted changes on the federal tax reform and the economic uncertainty, investors are nervous. Speculation is that Equity Investors will be paying \$.10-\$.20/dollar of tax credit equity less than a year ago.
 - There is a possibility of dealing with a “triple threat” if predictions of hikes in interest on permanent loans, reduced tax credit equity, and increased construction costs become a reality.
 - Dialogue continues with investors and with Shaw to identify cost reduction options without sacrificing quality. A new cost estimate from

Shaw is estimated by April 1, 2017 with a list of options to trim and alternate material to use.

- The importance of fulfilling the mission of GJHA – *The Grand Junction Housing Authority helps people when they are most vulnerable to gain housing stability, and together we strengthen the community.*
- Discussed the unit Area Median Income mix. Raising tenant rents would better cash flow a larger mortgage. However, that would serve fewer low-income seniors and be less competitive in the tax credit allocation process.
- Possible funding from other sources to fill the gap in the budget might include:
 - CHFA for the Permanent Loan, coupled with CHFA’s Housing Opportunity Funds (HOF).
 - Grant from the Federal Home Loan Bank of Topeka.
 - GJHA funds.
- If GJHA funds are needed as a stop gap, what is the estimated time frame to replenish those funds and what is the anticipated cash flow impact.
- Schedule a Board Workshop to explain tax credits and create a better understanding of the entire process.
 - *Note: The Workshop will be April 10, 2017 from 1:00 – 3:00 p.m., and will be conducted by Jody Kole.*
- At the next couple of Board Meetings, discussions will continue and staff will request direction from the Board on how to proceed with The Highlands 2.

6. Report from Finance and Audit Committee

Committee Chair Tim Hudner reported on the Finance and Audit Committee (Committee) Meeting held on March 17, 2017.

Overview of Financial Statements Ending December 31, 2016 for all GJHA Properties and LIHTC Properties

Upon the review of the Financial Statements for the first quarter of FY 2016-2017, there are no significant issues. Trending is corresponding with the Budget and variances are due to timing. The Committee recommended acceptance of the Financial Statements ending December 31, 2016.

Board Members are aware of the Housing Choice Voucher (HCV) Housing Assistance Payment Recapture by the U.S. Department of Housing and Urban Development (HUD) in FY 2015-2016 for over-leased fees. HUD recaptured approximately \$350K versus GJHA’s recalculation of approximately \$69K. GJHA disputed the HUD calculation. (Reference the Minutes of October 24, 2016 for the complete history.)

Tim Hudner and Amy Case reported that the dispute with HUD is now resolved with the final recaptured amount reduced to \$86K. HUD returned to GJHA the \$264K difference in the previously recaptured amount.

Amy Case said that \$480K for income accrual to the General Fund for The Highlands 1 Developers Fee is earned and will be disbursed when specific milestones are met.

The Board accepted the Financial Statements ending December 31, 2016 with a motion by Barbara Traylor Smith, a second by Jerry Schafer, and a unanimous vote.

Audit on the Tax Credit Properties and Request Formal Acceptance

The Committee participated in a telephone audit exit conference with the auditor regarding the Audits for three Low Income Housing Tax Credit (LIHTC) properties, Arbor Vista, Linden Pointe, and Village Park. Dialogue revealed clean, excellent Audits with no findings. The Committee recommended to accept the Audits.

A motion by Chris Launer, a second by Ivan Geer, and a unanimous vote accepted the Audits for the LIHTC Properties for the period ending December 31, 2016.

Amy Case said that the Audit on The Highlands is yet to be finalized. Once all the LIHTC property audits are completed, the Agency Audit can be completed and reviewed.

Tim Hudner also informed the Board of a proposal to choose a different auditing firm for FY 2016-2017. Novogradic, the firm used for the second opinion audit consulting work is being considered. Jody Kole said that GJHA is committed to a different auditing firm for The Highlands 1 because of the choices given to GJHA by the Equity Investor Partner, Wells Fargo. However, the auditing firm for The Highlands 1 is likely to revert to Novogradic once the obligations are completed under the requirements of Wells Fargo.

7. Update on Staffing Impacts of Over 50 Employees

Scott Aker presented the updated GJHA Functional Organizational Chart and noted significant changes. With the hiring of several key positions, the new Asset Manager, Suzy Keith, will oversee both the properties and maintenance departments. After the departure of Lori Rosendahl, Racquel Wertz provided interim support and supervision to the HCV line-level staff. Racquel accepted the permanent HCV Supervisor position. With the increased need for Information Technology (IT) daily support to staff, the temporary IT employee, Keith Hawkins, who served in that capacity for approximately 14 months is a member of the staff.

Crossing the threshold of 50 employees, Amy Case said that once 20 weeks of 50 employees are reached, GJHA will be required to offer Family Medical Leave as a benefit when appropriate.

To answer the question of Ivan Geer, Scott Aker said Human Resources (HR) responsibility is presently shared by a committee comprised of Amy Case handling the mechanical and financial functions, and executive staff providing support as the matter dictates. GJHA attorney Michael Santo is consulted on personnel issues. Payroll, compliance, and reporting is currently contracted to an external vendor. Amy Case said that staff is also exploring on-line systems that would streamline some HR processes. Jody Kole said that GJHA is nearly to the point to warrant a full-time HR position. However, when looking at the affordability, budget cuts on the federal level is a concern. Jody Kole said that information pertaining to the HCV Program Budget from HUD should be transmitted around June 1, 2017.

Scott Aker advised the Board of support funding potentially in jeopardy from the Mesa County Department of Human Services (MCDHS) for GJHA's Supportive Services Programs. With Mesa County experiencing budget decreases, the Community Contract portion of Temporary Assistance to Needy Families (TANF) funding is an area that is being considered for reduction. The County General Fund portion of MCDHS funds needs to be reduced. Mesa County General Fund money matches the TANF allocation from the federal level to the states, at \$.145/dollar. That equates to approximately \$175K/year in TANF funding which supports three full time staff positions for The Next Step and Family Self-Sufficiency Programs at GJHA.

The federal funding does not have to be matched by Mesa County, however. If the TANF funding provided by MCDHS is eliminated, staff is proposing to retain the federal funding by GJHA matching that \$.145/dollar for the remainder of calendar 2017 for a total of \$25K. These two programs are valuable for clients, and the case management to those families is important to maintain stability and eventually become self-sufficient.

Also under consideration, is for GJHA to request to purchase a small amount of available TANF funding for the remainder of calendar 2017 to support a tutor for children of families in The Next Step and Family Self-Sufficiency Programs.

Scott Aker assured the Board that both of these proposals are only a commitment for the remaining portion of the 2017 calendar year and not viewed as a long-term solution.

- Chris Launer stated that he supports these programs as they are a critical component in acquiring and maintaining housing. In the best interest of the children and families, Chris encourages committing the \$25K in funding to sustain these two programs.

To answer Tami Beard's question, Jody Kole stated that Budget Revisions will be necessary addressing staffing changes and TANF funding. New hires are projected in the Budget but any staff internal changes will be reallocated appropriately.

8. HUD Housing Choice Vouchers Budget Update

The Budget Update for the HUD HCV Program will be addressed in the future when additional information from the federal level becomes available.

9. Discussion of Negotiations with CHFA to Modify the Terms of SMART Loan Mortgages for Arbor Vista and Linden Pointe.

Referencing the Quarterly Financials, Jody Kole discussed the loan for Arbor Vista and Linden Pointe identified as CHFA's Small Affordable Rental Transactions (SMART) and HOF loans. These loans are through CHFA and go hand-in-hand as one cannot be done without the other. The SMART loan is the first mortgage, and the HOF loan is at a lower interest rate to create a blended interest rate.

Refinancing is being considered to acquire a better interest rate, and Amy Case is working with CHFA on this matter. The Arbor Vista loan has a longer period of time to gain benefits of a lower interest rate. Linden Pointe has a shorter window of time with some financial gains but also some risks.

Amy Case said CHFA offered loan modifications on first mortgages for both Arbor Vista and Linden Pointe, bringing down the blended rate. The proposal for Arbor Vista is to lower the interest rate from 6.85% to 6.08% bringing the blended rate down on the first and second from 6.18% to a 5.55% weighted-average blend. The proposal for Linden Pointe is to reduce the interest rate from 6.06% to 5.8%. Discussion included topics covering:

- Additional Linden Pointe data is still needed from CHFA.
- Amortization terms/maturity dates.
- Balloon payments.
- Cash flow.
- Unpaid principal balance on first and second loans.
- Interest rate adjustment without amortization.

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- Interest savings.
- Loan modification fees.
- Urgency to refinance.

Jody Kole said Chris Launer suggested a year ago to consider refinancing these loans. CHFA was unwilling to refinance at that time because the loans are financed with bond issuances with lock outs. With the interest rate environment increasing, a closer maturity date, and a smaller lock-out penalty, CHFA is willing to cover some of the lock-out costs and is agreeable to refinance. Amy Case said CHFA recommended to review the loans in five years for a possible market value adjustment.

Staff requested the Board authorize staff to proceed with the simple loan modification for Arbor Vista and Linden Pointe pursuant to investor approval based on judgment of available options as presented by CHFA.

Chris Launer made a motion giving Jody Kole and Amy Case the authority to modify loans for Arbor Vista and Linden Pointe pursuant to investor approval, based on judgment of available options as presented by CHFA. Ivan Geer seconded the motion. Questions followed with Jody Kole providing the following answers:

- Under State Statutes, the Housing Authority may buy, sell, rent, lease whatever property and finance it appropriately. This is within the Entity's authority so, therefore, it is within the Board's authority to authorize.
- The Board Chair and Jody Kole should be authorized to sign all documents. The group concurred.
- With the refinance, the investors' 15-year calculations will change when GJHA buys out the investors. It also might change their taxable losses. Jody Kole said that the investors will be informed of the pending loan modification with CHFA. The investors will run the numbers through their computer models and either approve or disapprove the transaction.

The amended motions reads that Jody Kole and Amy Case will be given the authority to pursue loan modifications for Arbor Vista and Linden Pointe contingent upon investor approval and based on judgment of available options as presented by CHFA with Tami Beard and Jody Kole authorized to sign all appropriate documents. The Board unanimously approved the amended motion.

10. Adjourn

The March Board Meeting concluded at 7:53 p.m.

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