

MINUTES

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

Monday, April 24, 2017
8 Foresight Circle
5:00 p.m.

1. Call to Order

Grand Junction Housing Authority (GJHA) Board Chair Tami Beard called the April Board Meeting to order at 5:12 p.m. on April 24, 2017. Board Members present represented a quorum and included Ivan Geer, John Howe, Tim Hudner, Chris Launer, and Barbara Traylor Smith. Board Member Jerry Schafer did not attend. Others in attendance included GJHA Chief Executive Officer Jody Kole, Chief Operating Officer Scott Aker, Asset Manager Suzy Keith, and Executive Assistant Kristine Franz. Guests included Craig Cherry with Shaw Construction and GJHA Attorney Rich Krohn.

2. Introduction of Suzy Keith, Asset Manager

Jody Kole introduced the new Asset Manager, Suzy Keith, and Suzy shared career highlights with the group.

3. Request Adoption of Minutes for March 20, 2017

At the meeting, the group received a revised page 7 to the March 20, 2017 Minutes. The revised page 7 corrects a typo, and is to replace page 7 in the previously distributed minutes. The change reads that GJHA advanced roughly \$878K for land costs, pre-development, and design work for The Highlands 2 instead of \$878.

Discussion occurred at the March 20, 2017 Board Meeting pertaining to Board Members being covered under the Governmental Immunity Act. Barbara Traylor Smith volunteered to discuss with Grand Junction City (City) Attorney John Shaver the City's approach to the Governmental Immunity Act. Barbara Traylor Smith reported that John Shaver talked with GJHA Attorney Jill Norris and indicated that Board Members are covered unless they do something knowingly and willingly wrong.

With no further comments, the Board approved the amended minutes for March 27, 2017 with a motion by Chris Launer, a second by Tim Hudner, and a unanimous vote.

4. Discussion of Process to Update GJHA Bylaws

Jody Kole said the Board instructed staff during the March 20, 2017 Board Meeting to prepare a modification to the GJHA Bylaws regarding indemnification of GJHA Board Members.

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Upon the review of the Restated Bylaws dated and adopted September 24, 2012, Jody Kole discovered the Restated Bylaws need to be updated. With a thorough review necessary, Jody Kole asked Board Members for input and/or interest in participating in the process to update the Bylaws. John Howe volunteered.

Rich Krohn said that a good portion of the language is from the Colorado State Statutes (State Statute) and is required to be included in the Bylaws. Jill Norris is ready to proceed with the draft Restated Bylaws when schedules allow staff and John Howe to meet.

Chris Launer asked if citing the specific State Statute could be included in the Bylaws instead of just referencing the Section Number. Rich Krohn said a disadvantage to that would be if the State Statute changed, then a revision to the Bylaws would be necessary. John Howe said that it is also difficult to summarize the State Statute in the Bylaws as the summary could be wrong or incomplete. Rich Krohn suggested that a copy of the State Statutes be included as an attachment to the Restated Bylaws for reference.

The proposed Restated Bylaws will be presented at a later Board Meeting for Board consideration.

5. Report from Finance and Audit Committee

The Finance and Audit Committee report given by Committee Chair Tim Hudner is as follows:

Audit of The Highlands

GJHA received a clean audit for The Highlands. Staff is still waiting for additional documents so the Audit can be finalized and approved by the Board.

Overview of Financial Statements Ending March 31, 2017 for all GJHA Properties and LIHTC Properties

A review of the Financial Statements for the second quarter of FY 2016-2017 shows trending is corresponding with the Budget, variances are due to timing, and there are no significant issues.

The U.S. Department of Housing and Urban Development (HUD) Housing Choice Voucher (HCV) Program Budget is still in flux, awaiting an adopted federal budget for FY 2016-2017. Once the FY 2016-2017 Voucher Budget Authority Notification is received from HUD, a plan can be formulated by staff to ensure that by calendar year end the HCV leased units will be aligned correctly.

Jody Kole said current feedback from the industry experts anticipates the budget funding decision received at the federal level for the FY 2016-2017 Housing Assistance Payments (HAP) to be prorated down slightly to a rate of 95-97 percent. The Administrative (Admin) Fee proration rate is predicted to be significantly lower with an amount in the mid to high 70 percentile.

Additional Voucher discussion covered:

- New HCV are only being issued for The Highlands property, pursuant to a previous open Request for Proposal for Project-Based Vouchers (PBV).
 - There are a total of 8 PBV at The Highlands. PBV stay with the property.
- Attrition is not as high as expected this year.
- Per unit costs are increasing, particularly due to the Pathways Village 40 PBV.
- Income targeting is done annually.
- Voucher training for Board Members will be scheduled in the near future.
- The HCV Program is the largest single source of revenue for GJHA.

To answer a question by Barbara Traylor Smith, Jody Kole confirmed that the negative Net Operating Income for Linden Pointe is due to the repair and cleanup of the unit contaminated as a result of methamphetamine use.

With the recommendation by the Finance Committee to accept the Financial Statements ending March 31, 2017, the Board accepted the second quarter Financial Statements with a motion by Ivan Geer, a second by Chris Launer, and a unanimous vote.

6. Update on The Highlands

Jody Kole gave the following highlights pertaining to The Highlands:

- The Grand Opening and Dedication of The Highlands will be May 5, 2017.
- GJHA received a Temporary Certificate of Occupancy (TCO). The issuance of the Certificate of Occupancy is expected May 4, 2017.
 - Completion of the elevators and apartment signage are the two items noted in the TCO to be finalized.
 - ❖ The elevator inspection is scheduled for next week, and the apartment signage will be completed this week.
- The landscaping is nearly finished, and the exercise equipment will arrive this week.
- Out of a total of 64 units, 54 units are pre-leased, sight unseen. Applicants can view the development and units via The Highlands website video.
 - The minimum age requirement for residents is 62 but many of the tenants are in their 80s. The first tenant is scheduled to move in May 6, 2017.

- It is expected to have the building completely leased by the end of May. With that milestone accomplishment, the Equity Investor will begin receiving tax credits ahead of schedule, and GJHA should receive a bonus for early lease up.
- The Board Packet material included a memo dated April 21, 2017 from GJHA Director of Supportive Services Margaret Ellrick identifying service providers who committed to provide services at The Highlands. Once the residents are moved in and settled, The Highlands Service Coordinator will begin scheduling dates/times/rooms for the service providers.
 - GJHA will host a Resource Fair during the summer of 2017. This Fair is primarily to introduce tenants to these services and make them aware of their availability.

7. Update on The Highlands 2 and Request to Authorize Early Site and Civil Construction

The update given by Jody Kole on The Highlands 2 includes:

- The Building Permit is expected by the end of this week.
 - It is anticipated that knowing the Building Permit is already issued will invite additional equity investor competition.
 - Having received the Building Permit might give the Colorado Housing and Finance Authority (CHFA) additional confidence that GJHA's Application represents the "Application most ready to proceed", which improves GJHA's competitiveness in the issuance of tax credits.
- The equity market is in flux and there is great uncertainty, due to talk of reductions in the federal corporate tax rates.

Lengthy conversation ensued with Jody Kole and Rich Krohn addressing such topics as:

- Dialogue continues with various investors regarding potential tax credit equity pricing. Prices cited are in the mid \$.80 - \$.90/dollar range of tax credit equity, with significant nervousness by investors.
- GJHA takes pride in a very successful track record in both the development and operation of 5 tax credit properties over the last 20 years.
- The understanding is that investors are dealing with the uncertainty of the equity market by trying to move the risk of a tax rate change onto the developer.
 - If the tax rate changes within a predetermined time period, the net present value of the impact of reduced tax rates would be calculated by the investor and recaptured from the sponsor's Developer's Fee.
 - ❖ Negotiate a cap by the developer.
 - Assume what the tax rate is going to be and price accordingly.
- As a member of the State Housing Board, Tim Hudner said a recent transaction for a housing authority in the Denver area received \$1.18/dollar of tax credit

equity for a large housing development with commercial space. Was this transaction pre- or post-election?

- The Tax Credit Application to CHFA is due June 1, 2017 with notification of award from CHFA in late September.
- Multiple approaches exist to fill the funding gap in the Budget. Gap funding, or Sources and Uses, is defined as funding covering the cost difference between the available funding and expense of construction. Gap funding might be obtained from the following:
 - Cost containment – GJHA and Shaw recently trimmed \$300K out of the construction budget without significantly compromising quality.
 - Work with the equity investor on the best possible tax credit equity rate.
 - Seek grant funding from the Federal Home Loan Bank (FHLB) of Topeka.
 - ❖ A time delay in funding notification is normal with FHLB and Colorado Division of Housing.
 - Request past funding partners to contribute and/or to increase their funding amounts.
 - GJHA provides Bridge Funding until committed gap funding is received.
- Staff hopes to begin the project in the fall of 2017 after the tax credit award.
- Gap funding is not unusual at the time the Tax Credit Application is submitted to CHFA. A document proposing how to fill the gap, along with letters from the parties documenting funding conversations, is submitted with the Application assuring CHFA of financial feasibility.
- When answering a question from Chris Launer regarding the Budget gap, Jody Kole distributed and explained the document used in the April 2017 Tax Credit Training for Board Members as a reference. Jody Kole gave the training.
 - The income mix and rent-level mix is the challenge/balancing point.
 - The unit rents are based on the four levels of affordability. The objective is to have enough low-income units that meets our mission but enough higher income units that help support a reasonable mortgage. The proposed unit breakdown is as follows:
 - ❖ 16 units at 30% AMI.
 - ❖ 16 units at 40% AMI.
 - ❖ 20 units at 50% AMI.
 - ❖ 20 units at 60% AMI.
 - Jody Kole said that ideally the unit breakdown would be 18 units in each level, and asked if Board Members were comfortable with the proposed unit breakdown above.
 - Jody Kole explained five scenarios that illustrated from \$.95/dollar to \$.99/dollar tax credit equity offers with no FHLB funding included in the scenarios. Depending on the scenario to fill the gap, GJHA could invest from \$809,645K to \$310,145K from the General Fund. Discussion covered:

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- ❖ Can GJHA invest more cash as a soft loan?
- ❖ Can GJHA defer more of the Developer's Fee and invest less cash?
- ❖ Could the equity investor change terms or walk away from the deal?
- Rich Krohn explained the financing sources of the tax credit development.
 - Equity investor – investors submit bids for the tax credit investment and identify installment amounts and timing for receipt of the Developer's Fee.
 - Construction loan – banks submit bids.
 - Permanent loan – banks submit bids.
 - Soft loans – grants and GJHA funds.
- To answer a question by Chris Launer, Jody Kole said the total budget contingency for The Highlands 2 is currently over \$1M. The budgeted GJHA contingency is comparable to The Highlands of 5 percent. Shaw has contingencies for both bidding and construction due to the uncertainty of the construction start and increases in material cost, of approximately \$300K for each.
- With the State Legislature's recent clarification that housing authorities participating in developments do not owe sales tax on developments, GJHA will receive a sales tax refund from the contractor and subcontractors of approximately \$300K.
- Jody Kole answered Ivan Geer's questions by:
 - Explaining the operating expense, revenue, and net cash flow processes, specifically pertaining to the LP and the LLLP entities.
 - Stating that the risk to GJHA is if the Limited Liability Limited Partnership Agreement is not operated correctly. Leasing to a wrong-income tenant will cause loss of tax credits. Overall accuracy is critical, but more so in the first year.
- Take a more conservative approach and request a lower Developer's Fee and defer part of it so the Cash Reserves are not reduced further.
- Jody Kole said that installments of the Developer's Fee for The Highlands are released upon completion of certain milestones:
 - \$510K at construction completion, plus submittal of specific documents to Wells Fargo.
 - \$240K at conversion to the permanent loan – approximately 4-5 months from now.
 - \$200K at the final Cost Certification and submittal of 8609 tax forms.

Jody Kole will begin conversations with Wells Fargo on how this transaction might work. Upon the review of the proposed transaction at the May Board Meeting, Board Members will be requested to make a final decision.

Jody Kole referenced the April 17, 2017 memo written by Craig Cherry, Project Manager with Shaw Construction, addressing early site and civil construction work for The Highlands 2. Jody explained that “borrowed dirt” from the The Highlands 2 site to make the appropriate slopes and drainage for The Highlands left a large hole that needs to be filled.

Craig Cherry said that advantages to completing the scope of work now are:

- Capturing real time cost of work in filling the hole and grading the site.
 - The installation of approximately 4,000 cubic yards of structural fill materials eliminates the need to export non-structural fill material later with additional cost.
 - ❖ Overall, the estimated cost of structural fill is \$143K versus \$120K to fill with non-structural fill.
 - ❖ If the concrete slab work directly on top of the structural fill cannot be done until spring of 2018, then it is recommended a loose-fill cap of non-structural fill material be installed that will act as an insulation blanket limiting exposure to frost and moisture.
- Completing the Scope of Work prior to winter weather conditions reduces financial risk. The project schedule is based on 15 working days.
- The Highlands building will not be fully occupied until the end of May so work now would be less of a nuisance with noise, dust, vibration, etc. to a limited number of residents.

Jody Kole confirmed that funds for the early site and civil construction work would be available from the General Fund. The cost becomes part of The Highlands 2 predevelopment costs advance and the General Fund will be reimbursed once the Limited Partnership Agreement is completed. Discussion on cash flow ensued.

The Board approved The Highlands 2 preliminary site work for a total of \$213,592.80 with a motion by Chris Launer, a second by Ivan Geer, and a unanimous vote.

8. Other Business

Reschedule the Time of the May 22, 2017 Board Meeting

Staff requested a time change for the May 22, 2017 Board Meeting due to staff needing to travel out-of-town to attend various conferences. The Board Meeting will begin at 11:00 a.m.

Barbara Traylor Smith said that Grand Junction City Council Committee assignments for the various Boards would be made the first part of May. If Barbara Traylor Smith is not

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reassigned as the City Council representative on the GJHA Board for another year, she will plan to attend this May 22, 2017 Board Meeting.

Schedule LIHTC Training for Interested Board Members

Board Members will have an opportunity to attend a second LIHTC training if they so choose. The training will be Monday, May 8, 2017 from 11:00 a.m. – 1:00 p.m. Interested Board Members are encouraged to attend.

Note: This training was rescheduled to May 10, 2017.

9. Adjourn

With business completed, the April Board Meeting concluded at 7:14 p.m.

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