**MINUTES**

Grand Junction Housing Authority
Board of Commissioners' Meeting
**July Rescheduled Meeting**

Monday, July 17, 2017
8 Foresight Circle
5:00 p.m.

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## 1. Call to Order

Grand Junction Housing Authority (GJHA) Board Chair Tami Beard called the rescheduled July Board Meeting to order at 5:00 p.m. on July 17, 2017. Board Members present represented a quorum and included Ivan Geer, Tim Hudner, and Chris Launer. Board Member John Howe arrived later. Board Members Phyllis Norris and Jerry Schafer did not attend. Others in attendance included GJHA Chief Executive Officer Jody Kole, Chief Operating Officer Scott Aker, Controller Amy Case, Executive Assistant Kristine Franz, Asset Manager Suzy Keith, and Voucher Supervisor Racquel Wertz.

## 2. Continuation of Housing Choice Voucher Discussion

As a refresher and for the benefit of Board Members not able to attend the Board Lunch and Learn on June 9, 2017, presenters Jody Kole, Amy Case, and Racquel Wertz reviewed information that focused on the Housing Choice Voucher (HCV) Program.

Jody Kole explained that there are two U.S. Department of Housing and Urban Development (HUD) "yard stick" measurements that the GJHA HCV Program must adhere to:

- The number of HCV leased.
  - GJHA has 1,083 HCV allocated by HUD to lease in any one month x 12 months = 12,996 unit months per year.
- HUD authorizes a specific amount of funding to support those units each year.
  - Currently, that funding does not support the Baseline units of 1,083 HCV.

John Howe joined the meeting at 5:03 p.m.

Conversation centered on the two drivers of the HCV Program financial management – 1) GJHA – Budgeting and Administrative Plan, and 2) HUD – Funding and Regulations. Jody Kole identified and briefly discussed factors that impact per unit costs under the GJHA – Budgeting and Administrative Plan, which included:

- Populations served
- Project-Based awards
- Payment Standards
- Occupancy Standards
- Processing of upward income changes
- Frequency of inspections
- Section Eight Management Assessment Program (SEMAP) goals

Extensive group discussion focused on the Payment Standards. Jody Kole explained that HUD determines and publishes its Fair Market Rents (FMRs) yearly for every community, allowing a correction factor for Public Housing Authorities (PHAs) to set local Payment Standards within 90%-110% of HUD's FMRs. For the last several years, GJHA has set its Payment Standards at 110% of the FMRs due to the belief that HUD used outdated data in setting the Payment Standards for this area and to maximize Voucher-holders' ability to locate and secure adequate rental units. Staff addressed and answered Board questions regarding influences on Payment Standards:

- If contemplation is given to lowering the GJHA Payment Standards, issues to consider are the impact on tenants and their ability to lease in the market as well as the impact on the GJHA Voucher expenditures.
- The rental market is strong with low vacancies and rising rents.
- An out-of-date number indicates approximately 16,000 rental units exist in the Grand Junction rental market, with a number of those being single-family homes.
- GJHA does not significantly influence the rental market by driving the rents up or down.
- Estimates indicate 25% of Voucher holders live in GJHA-owned units.
- There are approximately 120 Project-Based Voucher units in the GJHA portfolio and at Capital Terrace.
- Staff is recommending implementation now of an aggressive lease up process. This conversation continues later in the Meeting (reference Page 9).
- Landlord response to HCV Program participation is mixed.
    - Future outreach is planned to recruit additional landlords.
- Additional options staff plans to implement to reduce per unit costs will be presented during discussion of Agenda Item No. 3 - the GJHA Agency Plan.

Jody Kole highlighted factors that impact GJHA's ability to manage the HCV Program under the second element of the HCV Program financial performance - HUD Funding and Regulations, which included:

- Significant delays in receiving notice of available funding
- Proration and inflation factors
- Administrative Fee rates –Admin Fee Study pending
- Recapture risk
- Minimum standards for frequency of inspections and recertification/income
- Change processing
- SEMAP scoring

Additional information discussed included other factors affecting the per unit cost, total cost and Administrative Fee earnings such as:

- Rental market trends
- Utility rates

- Participant financial success/economy
- Reasonable accommodation requests
- Portability
- Timeliness of partner referrals
- Success rate
- Attrition rate

The group reviewed a graph that documented an upward trend line for GJHA per unit costs from January 2015 – May of 2017. The per unit cost represents the average amount GJHA pays out in rent assistance per unit. This trend is influenced by the incomes of the participants, what the rental rates are doing in the market, and more Project-Based Vouchers issued at properties that are serving homeless or nearly homeless clients. When very low and zero-income households are served, the per unit amount of rental assistance is higher, thus driving up the average. Examples include Pathways Village and St. Martin 1 and 2.

Reviewing historical statistics, Amy Case explained a graph showing the movement of the HAP Reserves, Administrative Reserves, and the Voucher Operating Cash from January 2013 through March 2017. In response to the federal government's sequestration in 2013, Board and staff agreed at that time to "spend down" the level of GJHA HAP Reserves to maintain the ability to house Voucher-holding families in need rather than terminate the families. During this same time frame, and a credit to prudent operating management, the Administrative Reserves held fairly steady. The Voucher Operating Cash flow followed the path of the HAP.

Now, staff is again recommending a "spend down" of the HAP Reserves and Administrative Reserves. Jody Kole acknowledged that as difficult as this recommendation is, the HUD funding gap will continue to increase in the coming years, and it will be more difficult to prevent the loss of a number of community Vouchers to support families.

Jody Kole also stated that because of the anticipated reduction in HUD's Annual Budget Authority allocation, staff believes now is the time to reset a new higher benchmarking number for 2018. Jody Kole further commented that depending on the amount of annual funding Congress appropriates for the entire HUD HCV Program, the HCV Program could still decline over time.

- Re-benchmarking (establishing next year's funding) is the annual process by which HUD determines a PHA's Annual HAP Budget Authority based on its reported HAP expenditures for the prior calendar year.
  - The formula is: the prior year HAP expense X local inflation adjusted factor X national proration % = the Annual Budget Authority.

- If GJHA can find sufficient funding to supplement the HAP Budget Authority and HAP Reserves to bring the Voucher leasing up to or close to our Baseline allocation in 2017, then GJHA should receive a larger allocation of Budget Authority in 2018.
- This re-benchmarked allocation should be much closer to supporting full lease up. Executing full lease up should preserve GJHA's ability to support 62 Voucher holding families within our community who otherwise would not be served and prevent Administrative Fee revenue decline.

With summation of the Board Lunch and Learn HCV training complete, Amy Case referenced the July 12, 2017 Board memo regarding the update on the current status of the HCV Program. Restating the Program challenges, Amy Case highlighted the following two problems:

- PHAs are tasked with maximizing both their use of available HAP Budget Authority and full lease up of the number of Vouchers allocated to the Agency.
    - Per unit costs have increased yearly and continue to do so. The allocation of GJHA Budget Authority for calendar year 2017 is inadequate to fund the 1,083 base-line units.
        - At the level of per unit costs, the annual funding deficit created is \$373,289 or 747 unit months, losing the ability to house 62 families for the foreseeable future.
    - An Administrative Fee is paid by HUD to administer the HCV Program and is based on the number of Vouchers leased on the first of every month. With HUD's funding inadequate to support full lease up of units, the Administrative Fee revenue to administer the program is reduced.
        - Loss of Administrative Fees on 747 unit months is over \$44K worth of revenue.

Two potential alternatives to the HCV Program challenges proposed by staff included: 1) the Maintenance Level Leasing, and 2) the Full Baseline Leasing. Amy Case identified the differences:

- **1) Maintenance Level Leasing – 12,552 unit months.**
    - GJHA would be in compliance with contractual leasing obligations to property owners to keep those units occupied.
    - Referrals from the U.S. Veteran's Administration for a Veterans Affairs Supportive Housing Program (VASH) eligible client would continue to be processed.
    - GJHA would continue to serve the current Program participants and avoid termination.
    - GJHA would not be fully leased to its Baseline of 12,996 unit months - short by 444 unit months or annual housing for 37 families.

- GJHA would not be receiving the full Administrative Fee revenue – short by approximately $26,446 in calendar year 2017.
- GJHA would begin 2018 and subsequent years with an impaired re-benchmarking calculation of eligible HAP funding, producing less eligible Administrative Fee funding. If per unit costs continue to rise, GJHA will face a "ratcheting down effect", shrinking its Voucher Program below current levels, possibly irrevocably.
- GJHA would face the recapture of approximately $18K in unearned Administrative Fees in 2018.
- The HAP Budget Authority (re-benchmarking) next year would be expected to increase by $146K.
- Discussed the total cost to lease at the Maintenance Level. Amounts reviewed included:
  - Utilizing the Budget Authority, HAP Reserves & Program Income.
  - Gap remaining to be covered by Administrative Fee Reserve.
  - Administrative Fee Reserve Projection at 12-31-17.

- **2) Full Baseline Leasing – 12,996 unit months.**
  - GJHA would be in compliance with contractual leasing obligations to property owners to keep those units occupied.
  - Referrals from the U.S. Veteran's Administration for a Veterans Affairs Supportive Housing Program (VASH) eligible client would continue to be processed.
  - GJHA would continue to serve the current Program participants and avoid termination.
  - GJHA would be fully leased at the Baseline level of 12,996 unit months.
  - GJHA would obtain the maximum allowable Administrative Fee revenue in 2017.
  - GJHA would be in a position to obtain the maximum allowable HAP and Administrative Fee funding in re-benchmarking for 2018.
  - GJHA would be in a position to obtain maximum funding in 2019 re-benchmarking and subsequent years.
  - GJHA's flexibility would be reduced in future years by depleting all GJHA's HAP Reserves and significantly diminish GJHA's Administrative Fee Reserves.
  - Next year the HAP Budget Authority (re-benchmarking) would be likely to increase by $369K.
  - Discussed the total cost to lease to the full Baseline Level. Amounts reviewed included:
    - Utilizing the Budget Authority, HAP Reserves & Program Income.
    - Gap remaining to be covered by Administrative Fee Reserve.
    - Administrative Fee Reserve Projection at 12-31-17.

With the review completed of the two possible options to the HCV Program challenge, the group received and reviewed the document, *Comparison of Projected Re-Benchmarking Calculations for 2018 Voucher Budget Authority* that showed projected GJHA Administrative Fees for both alternatives. Amy Case said the document shows the HUD formula using the most current GJHA numbers and projections of HUD's proration rates applicable to HAP Budget Authority, Administrative Fees and rates, and the 2017 annual inflation factor for Mesa County.

- **1) Maintenance Level Leasing**
  - Expend the current year's funding and HAP Reserves, and *moderate* use of the Administrative Fees.
  - Assuming similar per unit cost, 12,405 unit months can be leased in 2018, producing $775,575 in Administrative Fees.
- **2) Full Baseline Leasing**
  - Expend the current year's funding and HAP Reserves, and *aggressive* use of the Administrative Fees.
  - Assuming similar per unit cost, 12,847 unit months can be leased in 2018, producing $801,853 in Administrative Fees.
- GJHA can utilize most of its remaining Administrative Fee Reserves in 2018, leasing to full baseline and generating an additional $9K in 2018 Administrative Fee Revenue.

Jody Kole said it is the recommendation of staff to support the full Baseline Leasing option, and approve Resolution No. 2017-07-02 authorizing expenditure of Voucher Program Administrative Fee Reserves to support leasing expense ("HAP").

Extensive discussion ensued with Jody Kole and Amy Case addressing Board questions covering topics including:

- Currently, HAP funding supports less than the full Baseline number of units. GJHA does not lose HAP funding on a per unit basis. The gross HAP Budget Authority is applied to only as many Vouchers as funding will support for the year.
- GJHA does not overspend the Budget Authority without prior Board authorization.
- GJHA is seeking to maximize the HUD allocation of the HAP Budget Authority, and use Reserves to reset the HAP allocation.
- HUD's proration figure and the local inflation adjusted factor used in the re-benchmarking process will not be known until the spring of 2018.
- The Administrative Fee Reserve may only be used to support HCV Program-related expenses.
- The 1,083 HCV allocated by HUD to lease in any one month is constant. If the number of HCV are under leased for a month, that number still stays constant. The

Administrative Fee is reduced, however, since it is based on the number of Vouchers leased on the first of every month.

- The 1,083 HCV is representative of a series of grants applied for and awarded to GJHA. Other than VASH Vouchers, there has not been any new general population Vouchers available for several years. The only new Vouchers offered now are for a special population, such as people with disabilities.
- Continue to serve the greatest number of households for as long as possible.
- Continue to closely monitor per unit costs and lease ups.
- Reduce the per unit cost, if possible.
- Staff is projecting that the same financial challenge will exist next year, but the size will be smaller. If no action is taken now, the gap will be considerably higher.
- Consider lowering the Payment Standards.
- The Administrative Fees are used to administer the Program; ie: HCV staff salaries and salary splits of the other key staff members.
- Review yearly to decide the amount, if any, of the Administrative Fee Reserves to use to continue to cover the gap in support of the HCV Program.
- Staff is estimating that the Administrative Fee Reserves and Surplus will show $341K by the end of 2017. If the aggressive use of the Administrative Fee Reserves is approved to fund the estimated gap, the Administrative Fee Reserves projection by 12-31-17 is $68,931, or one month of Program Operating Expenses.
- This is a calculated risk but staff believes it is mission driven with financial benefits.

With discussion complete, a motion by Chris Launer, a second by Ivan Geer, and a unanimous vote approved *Resolution No. 2017-07-01 Authorizing the Expenditure of Voucher Program Administrative Fee Reserve to Provide Housing Assistance Payments on Behalf of HCV Program Participants.*

**3. Public Hearing for the GJHA Agency Plan**

The Public Housing Authority (PHA) Annual Plan is a comprehensive guide to the GJHA's policies, programs, operations, and strategies for meeting local housing needs and goals. The two parts to the PHA Plan include: 1) the 5-Year Plan submitted to HUD once every fifth PHA fiscal year, and 2) the Annual Plan, submitted to HUD yearly.
GJHA is required to provide HUD with an updated Agency Plan, Compliance Certifications, Resident Advisory Board (RAB) Report, and PHA goal updates. HUD also requires that a Public Hearing must be held for community comments on the Annual Plan.

Board Chair Tami Beard opened the Public Hearing for the GJHA Agency Plan at 6:00 p.m.

No additional community members attended this Hearing, and GJHA staff received no written comments during the mandated 45-day public review period either where the public has the opportunity to review the Plan at the Mesa County Public Library or at the GJHA Office.

Racquel Wertz spoke about the Annual Agency Plan submission and Administrative Plan update as referenced in the July 13, 2017 Board memo. The Board of Commissioners and the RAB review the Annual Plan and approve all changes to the Administrative Plan that are not statutory. GJHA has the ability to set its own policies and procedures for certain activities, such as criminal background screening and other internal processes. The internal review process between the GJHA staff and the RAB for the Administrative Plan is complete. There is only one recommended change to the Administrative Plan for Fiscal Year 2017-2018. That change is found under:

- 6-I.K. Periodic and Determinable Allowances; Alimony and Child Support and is identified in red:
    - The PHA will take the last twelve months of payments as documented and annualize them if they are not consistent in the amount paid monthly. If it is a consistent monthly amount for the previous three months the PHA will annualize the consistent amount forward for the next year and will not change the amount until the following annual recertification. The PHA will then not remove alimony or child support payments unless they have stopped for two months.

Racquel Wertz explained that with this change, the child support payments clients receive are counted more accurately which, in most cases, increases the client's rent portion and decreases the GJHA Housing Assistance Payment (HAP) expense.

At the request of Jody Kole, Racquel Wertz described additional activities that the HCV staff implemented or plans to implement to help lower the GJHA per unit costs:

- Zero income households. There are approximately 70 households in this category with a threshold of $2500/year or lower.
    - A questionnaire is sent to these households bimonthly. This allows GJHA staff to become aware of any increase in the client's income that is not being reported. This increase is reflected in rent calculations that will most likely increase the client's rent portion and decrease the GJHA HAP expense.
        - The client response is mixed.
        - GJHA attempts to recover the cost difference of when the income change occurred versus when the income change was reported.

- If necessary, a repayment agreement is signed by the client. Recovered funds are split 50/50 between HUD and GJHA.

- Fixed income households.
  - The option exists for PHAs to recertify fixed-income households every three years. Staff chose to review these households yearly. This allows GJHA staff to become aware of any increase in the client's income earlier. This increase is reflected in rent calculations that will most likely increase the client's rent portion and decrease the GJHA HAP expense.
- Along with the case management provided, The Family Self Sufficiency (FSS) Coordinator and Housing Advocates work with program participants to find employment. Clients are taught how to become self-sustaining and reach the goal of becoming independent without public assistance. A broad outreach is underway to reach and recruit more HCV clients and expand the FSS program.
- Review Payment Standards. If Board approval is received for an aggressive lease up process, then:
  - Adjusting the Payment Standards downward at this time would affect any new lease-up households.
  - For tenants "staying put", a full year's notice must be given prior to adjusting the Payment Standards downward.
- Staff may recommend adjusting the Payment Standards effective October 2017.
  - Adjusting the Payment Standards for one-bedroom units is not recommended. One-bedroom units are difficult to find within the recommended Payment Standards.
  - Payment Standards for two-bedroom units could be adjusted slightly.
  - Payment Standards for three and four-bedroom units could be adjusted to some extent.
    - Lowering the Payment Standards may not save dollars but may help control the reign of growth over time.

- Request PHAs with high port out costs, such as California, to absorb the portable Vouchers that originated in Grand Junction and relocated to that state, thereby eliminating GJHA responsibility for the very high HAP expense.
  - "Portability" is defined as the ability for a HCV holder to move from the jurisdiction of its current housing agency to the jurisdiction of another housing agency operating a HCV Program.

With no further questions/comments from Board Members, the Public Hearing closed at 6:13 p.m.

Ivan Geer made a motion to adopt *Resolution No. 2017-07-02 Adopting the Agency's Annual PHA Plan for Fiscal Year 2017-2018.* The motion carried with a second by Chris Launer and a unanimous vote.

**4. Request Adoption of Minutes for May 22, 2017 and June 9, 2017**

With no questions or discussion, the Minutes for the regular May 22, 2017 and the special June 9, 2017 Board Meeting received Board approval with a motion by Ivan Geer, a second by Chris Launer, and a unanimous vote.

**5. Other Business**

*Update on the Sale of the 1011 N. 10th Building*

Scott Aker informed the Board that progress continues to be made on the sale of the GJHA building located at 1011 N. 10th Street. The on-site inspection occurred several weeks ago with the potential buyer (buyer) requesting attention to only two items:

- A couple of ceiling tiles in two rooms in the lower level needed repaired.
- A portion of the roof on the structure has a membrane roof instead of a shingled roof and is in need of repair.
    - An estimate obtained by the buyer for repair or replacement of this membrane roof amounted to $5K and $12K, respectively.
    - The estimate acquired by GJHA staff by a different roofing contractor for repair or replacement totaled $6,500 and $11K, respectively.
    - With the assistance of Tami Beard, both parties agreed to an allowance of $6,500, and will be reflected in the contract.

Today, July 17, 2017, is the appraisal deadline. However, the appraisal ordered by the corporate office of the Bank of the West currently is not completed. Scott Aker continued to explain that with the lack of an appraisal, GJHA counsel said that the buyer loses its right to object to the appraisal. A time extension could be requested by the buyer to allow additional time for the appraisal.

The next deadline date is the loan objection deadline, which is Monday, July 24, 2017. If the appraisal is received this week and if the buyer disagrees with the results, the buyer could object or terminate the sale.

Scott Aker submitted a request to the lender for verification that the buyer's down payment amount is still in an unrestricted account. Group discussion ensued covering topics including:

- The corporate office could overrule the local lender's desire to finance this purchase.
- The buyer could request the lender issue a loan commitment letter subject to a satisfactory appraisal.
- The $10K in earnest money will be equally split between GJHA and the buyer after the loan objection date if the transaction falls through.

- Commercial appraisals in the valley can be slow due to the shortage of local commercial appraisers and could take approximately 60 days.

With the transaction closing date of August 1, 2017, Jody Kole requested Board direction for the GJHA response should the buyer request a closing date extension. The Board agreed that if staff is: (1) confident there is a loan from the lender, (2) the buyer remains interested in purchasing the building, and (3) the only obstacle is waiting on an appraisal, then a 30-day date extension is reasonable. With that direction, Jody Kole and Tami Beard will keep the Board apprised of the progress.

Note: The sale of the 1011 North Tenth Street office building was closed August 8, 2017.

*Revisions to the GJHA Bylaws*

During the March 20, 2017 Board Meeting, the Board instructed staff to prepare a modification to the GJHA Bylaws regarding indemnification of GJHA Board Members. With the subsequent review of the Restated Bylaws dated and adopted September 24, 2012, Jody Kole discovered the Restated Bylaws needed to be updated.

During the April 24, 2017 Board Meeting, John Howe and Ivan Geer volunteered to work with Jody Kole and GJHA attorney Jill Norris on edits to the Restated Bylaws.

Note: Committee members met on July 21, 2017 and again on August 9, 2017. Restated Bylaws will be presented to the Board for discussion at a future meeting.

*The Highlands 2 Update*

Jody Kole gave an update on The Highlands 2 that included:

- The Colorado Housing and Finance Authority (CHFA) received 39 Letters of Intent to submit a Low Income Housing Tax Credit (LIHTC) Application with 27 Applications submitted.
- GJHA submitted its LIHTC Application for the Highlands 2 to CHFA by the deadline date of June 1, 2017.
    - CHFA recently sent two letters to GJHA requesting additional information or clarification on costs in a few categories. GJHA responses met the CHFA deadlines.
- Staff received notification that applicants will make presentations to the CHFA Allocations Committee the last full week in August (August 21 – 28, 2017).
    - Note: Jody Kole received notification that the GJHA presentation will be August 22, 2017.
- Work continues on the grant application to the State of Colorado, Division of Housing with the submittal planned for late July.

- GJHA submitted its grant application to the Federal Home Loan Bank (FHLB) of Topeka June 30, 2017.
    - GJHA staff agreed to one FHLB of Topeka stipulation - to set aside 20 units for U.S. Veterans, their spouses, widowers or widows for a 15-year period.
- There are no recent conversations with possible equity providers.

*The Highlands*

Jody Kole explained that the southern boundary of The Highlands borders the northern boundary of Tope Elementary School. The fence behind The Highlands belongs to Tope Elementary and is set three feet inside its property line. GJHA did not landscape and improve this as GJHA does not own this strip of land. Dirt runs down onto the Tope Elementary sidewalk when it rains or when the sprinkler system is running at The Highlands and causes an inconvenience and a "muddy mess".

Mesa County School District No. 51 agreed to deed that strip of land to GJHA through a lot line adjustment. In the interim and until the legal documents are completed, discussion occurred regarding GJHA leasing that strip of land for $1.00 per year. Documents will be presented to the Board for discussion and request approval at a later date.

*Finance and Audit Committee Meeting*

Amy Case reminded the group there is a Finance and Audit Committee Meeting tomorrow, July 18, 2017 beginning at 11:30 a.m.

## 6. Adjourn

With business completed, the July Board Meeting concluded with a motion by John Howe, a second by Ivan Geer, and a unanimous vote.

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