

MINUTES

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

Monday, October 2, 2017
8 Foresight Circle
10:04 a.m.

1. Call to Order

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Grand Junction Housing Authority (GJHA) Board Chair Tami Beard called the special October Board Meeting to order at 10:04 a.m. on October 2, 2017. Board Members present represented a quorum and included Ivan Geer, John Howe, Tim Hudner, Chris Launer, and Phyllis Norris. Board Member Jerry Schafer did not attend. Others in attendance included GJHA Chief Executive Officer Jody Kole; Controller Amy Case; Executive Assistant Kristine Franz; and GJHA attorneys Rich Krohn and Jill Norris. Special Projects Coordinator Danette Buck joined the meeting later.

2. Financing of The Highlands

- Update on Pending Grant Applications, and Consider Responses Received from Request for Proposals Issued Friday, September 15, 2017

GJHA released a solicitation on September 15, 2017 seeking proposals for the Lender and Equity Investors for the development of The Highlands 2. The Requests for Proposals (RFP) were sent to 16 Equity Investors and 16 Lender providers.

Because of the tight turnaround time and limited availability of the Finance and Audit Committee, an Evaluation Committee (Committee) comprised of Danette Buck, Amy Case, Jody Kole and Rich Krohn met on September 29-30, 2017 to review proposal responses to present at this meeting.

Jody Kole said that the Committee focused on a range of priorities when reviewing strengths and weaknesses of each responder that included: 1) "quick start"-December 1 closing; 2) net dollar value-equity; 3) net dollar value-debt; 4) duration of loan commitments; 5) intangibles; and 6) other key deal points. The Committee determined that the first evaluation priority was a "quick start". Requesting Board input, Jody Kole and Rich Krohn said that if a different priority decision other than a "quick start" is reached, it will be necessary to re-evaluate proposals, and essential to reissue the solicitation if the lender recommendation cannot commit to a December 1, 2017 start, a requirement stated in the RFP.

The group discussed extensively the pros and cons of a "quick start" that included: 1) GJHA using its own cash to start the project; 2) the risks of starting later than December 1, 2017; 3) the potential increase in construction costs; 4) the delay in servicing the senior population; 5) the competition in retaining subcontractors; 6) the increased interest rates; 7) the possible corporate tax code changes and subsequent adjustments; 8) the "no claw back" provisions in the equity proposals; 9) the funding that might be in jeopardy from a loan from Healthy Homes and a grant from the Federal Home Loan Bank of Topeka; and 10) the relationships with responders through prior dealings. The group agreed with "a quick start" priority for The Highlands 2 development, which means a December 1, 2017 closing date.

Danette Buck joined the group at 10:10 a.m.

DEBT PROVIDERS

Referencing the previously distributed Board memo written by Amy Case dated September 30, 2017 and the side-by-side evaluation regarding the selection of lender providers for The Highlands 2, Amy Case said the responders had the opportunity to provide proposals for *Construction Only Financing, Permanent Debt Financing, or Construction-to-Permanent Financing*. Reviewing the responses from seven lenders, the Committee determined the following priorities were particularly important when evaluating the proposals:

- the ability to close quickly to take advantage of current market conditions
- minimized fees and expenses (third party, lender)
- favorable loan terms (including interest rate, annual debt service expense)
- any relevant experience GJHA has in prior dealings with responding entities

The Board received the *Sources and Uses* document submitted in The Highlands 2 Low Income Housing Tax Credit Application for today's relevant reference during meeting discussion.

- **Select a Construction Lender**

Construction Only Evaluation Summary

Four lenders responded for the *Construction Only* financing that included Bank of Colorado, ANB Bank, Wells Fargo, and Bank of the West. Meeting distribution included the memo dated October 2, 2017 from the ANB Bank reflecting ANB capped costs.

Amy Case highlighted the comparison details of the four responses. Thorough discussion ensued evaluating the responses with Jody Kole, Rich Krohn, and Amy Case explaining the differences and clarifying Board questions.

(Note: For specific details and points of comparison of the offers, the evaluation and memo dated September 30, 2017 from Amy Case are part of the permanent record meeting minutes.)

The Committee recommended that the Board authorize the selection of the Bank of Colorado as the construction lender, and Board Members agreed with the Committee's recommendation.

Construction-to-Permanent Evaluation Summary

The solicitation for a *Construction to Permanent* financing received two offers, one from ANB Bank and one from Gershman. Amy Case and Rich Krohn discussed overall concerns and risks. Significant issues caused the Committee to discount this option.

○ **Select a Permanent Financing Lender**

Permanent Only Evaluation Summary

The Colorado Housing and Finance Authority (CHFA), Bank of Colorado, and Rocky Mountain CRC responded to the *Permanent Only* solicitation. Thorough discussion occurred evaluating the responses with Jody Kole, Amy Case, and Rich Krohn clarifying Board questions.

(Note: For specific details and points of comparison of the offers, the evaluation and memo written by Amy Case dated September 03, 2017 are part of the permanent record meeting minutes.)

Board consensus agreed with the Committee's recommendation of CHFA as the permanent loan lender.

SELECT AN EQUITY INVESTOR PARTNER

○ **Equity Investor Partner Evaluation Summary**

Four equity investors responded to the Equity Investor solicitation. Enterprise, Riverside Capital, and Richman Group all could meet GJHA's quick start requirement. Wells Fargo could not meet the quick start requirement and offered March 1, 2018 as the start date. The Committee did not recommend either Wells Fargo, due to key terms and the proposed 90-day delay, or Riverside Capital due to unfavorable financial considerations.

Meeting distribution documents included the updated Letter of Interest from Enterprise dated October 2, 2017 correcting formula errors, which Jody Kole explained. Because of this revised information received from Enterprise, Board Members also received an updated GJHA side-by-side evaluation and a revised Enterprise equity breakout sheet reflecting the new information.

The Net Dollar Value of the federal low income tax credit offer submitted by the equity investors is estimated as follows:

Enterprise Community Investment	\$.97 per dollar = \$12,125,000
Riverside Capital	\$.98 per dollar = \$12,248,775
Richman Group	\$.93 per dollar = \$11,623,838
▪ Eliminated Richman Group from consideration due to financial consideration and additional unfavorable terms.	

Rich Krohn informed the Board that during a telephone call earlier today, Enterprise fully committed to the December 1, 2017 start. The Due Diligent Checklist will be provided to GJHA today so gathering of the necessary documents can begin. Jody Kole provided positive history details of prior partnerships with Enterprise. Lengthy review ensued with Jody Kole, Rich Krohn, and Danette Buck addressing and answering questions.

(Note: For specific details and points of comparison of the offers, the evaluation and memo written by Jody Kole dated September 30, 2017 are part of the permanent record meeting minutes.)

With discussion completed, the motion by John Howe and a second by Ivan Geer to accept the GJHA Committee recommendations of the Bank of Colorado as the construction lender, CHFA as the permanent loan lender, and Enterprise as the Equity Investor Partner received unanimous approval.

- Give Direction to Staff on Desired Construction Start

Meeting distribution to Board Members included a memo dated September 30, 2017 written by Mr. Craig Cherry of Shaw Constructors (Shaw) along with the document, *Amendment #2 – Highlands Phase 2 – Early Phase Construction* dated September 13, 2017.

Jody Kole said that with the planned December 1, 2017 construction start, conversations continue with Shaw regarding an accelerated start. The scope of work identified on *Amendment #2* represents work in preparation for and up to the slab pour, and should be considered for early construction to keep progress moving forward. Minimizing inflation risk costs in construction materials is also a concern to be considered.

Jody Kole said that she will attend the State Housing Board hearing in mid-November regarding the GJHA request for funding for The Highlands 2.

(Note: Consideration of The Highlands 2 funding request at the mid-November meeting is rescheduled for a later Meeting - on the December 2017 Agenda.)

Upon conclusion of the State Housing Board hearing regarding funding for The Highlands 2, the Colorado Division of Housing (CDOH) is not able to close its grant agreement documents for 90-120 days. With the CDOH constraint not to sign a construction contract until the CDOH contract is signed, staff is exploring additional funding options to keep construction work progressing. One possibility for consideration is for GJHA to seek a Bridge Loan or to advance funds for construction in the amount of the CDOH funding request of \$864K with reimbursement to GJHA when the CDOH funding is approved and received.

To answer a Board question, the current GJHA investment amount in The Highlands 2 is approximately \$313K as of August 2017 plus \$547K in a recent advancement for the remainder of the design work.

Group discussion addressed the following topics: 1) sources of repayment for advancing funds; 2) cash flow; 3) unrestricted funds; 4) The Highlands Developer Fee payment amount to GJHA at permanent loan conversion and the payment amount to GJHA at issuance of the 8609 Tax Credit Certification; 5) equity partner liquidity requirements; 6) defer the Developer Fee; 7) the risk of CDOH and Federal Home Loan Bank funding not being awarded; 8) timing availability of grant funding if awarded; 9) collateral for a bank loan; 10) authorizing Shaw's

scope of work; 11) the pre-purchase of construction material to warehouse until needed to avoid material increases / unavailability; 12) defer material pre-purchase decision until later; 13) disruption in the construction schedule due to unavailable material; and 14) the need for updated costs / timing / material availability prediction from Shaw. Board Members expressed consensus to continue moving forward with construction tasks.

With no further discussion, Chris Launer made a motion authorizing GJHA staff to move forward as outlined in the Shaw memo and attached Amendment #2 authored by Mr. Craig Cherry dated September 30, 2017 for a cost of \$779,965.03, and to inform the Board immediately of additional material purchases necessary. A second by Ivan Geer and a unanimous vote approved the motion.

3. Adjourn

The meeting adjourned at 11:57 a.m. with a motion by Ivan Geer, a second by Chris Launer and a unanimous vote.

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

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