

MINUTES

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

Monday, October 23, 2017
8 Foresight Circle
5:00 p.m.

1. Call to Order

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Grand Junction Housing Authority (GJHA) Board Chair Tami Beard called the regular October Board Meeting to order at 5:02 p.m. on October 23, 2017. Board Members present represented a quorum and included Ivan Geer, John Howe, Chris Launer, and Phyllis Norris. Board Members Tim Hudner and Jerry Schafer did not attend. Others in attendance included GJHA Chief Executive Officer Jody Kole; Chief Operating Officer Scott Aker; and Controller Amy Case. Guests included GJHA attorneys Jill Norris and Rich Krohn. GJHA Asset Manager Suzy Keith and Executive Assistant Kristine Franz joined the meeting later.

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2. Roll Call to Move into Executive Session to Discuss Specifically The Highlands 2 Transaction for the Purpose of Determining Positions Relative to Matters that May be Subject to Negotiations, Developing Strategy for Negotiations, and/or Instructing Negotiators – C.R.S. 24-6-402(4)(e), and for a Conference with the Housing Authority's Attorney for the Purpose of Receiving Legal Advice on Specific Legal Questions – C.R.S. 24-6-402(4)(b)

At 5:04 p.m. and with a roll call vote, the group moved into Executive Session.

3. Roll Call to Move out of Executive Session and Return to Open Meeting

The group returned to the Open Meeting at 5:55 p.m., at which time Suzy Keith and Kristine Franz joined the meeting.

Executive Session dialog addressed information received by Jody Kole and Rich Krohn regarding Enterprise Community Investment, Inc.'s (Enterprise) decision to withdraw as tax credit equity investor for The Highlands 2, and subsequent information received from Wells Fargo Community Lending and Investment (Wells Fargo) regarding its interest in being the tax credit equity investor for The Highlands 2. Discussion focused on tax credit pricing, costs to the project given the delays associated with changing investors and scheduling changes.

With a motion by Ivan Geer and a second by John Howe, the Board unanimously approved staff to: 1) confirm the termination of the existing commitment agreement with Enterprise as GJHA's tax credit equity investor for The Highlands 2 development; 2), confirm that cancellation in writing; and 3) move forward in an attempt to complete a new commitment with Wells Fargo for tax credit equity investment based on Wells Fargo's revised letter of intent dated October 23, 2017.

4. Consent Calendar

The Consent Calendar consisted of three items: 1) Adoption of Minutes for September 25, 2017; 2) the Annual Report of Bad Debts; and 3) Request Approval of *Resolution No. 2017-10-01 Authorizing Certain Borrowing for 2910 Bunting Property*.

Group discussion included: 1) amending the September 25, 2017 Minutes on pages one and two to reflect the name change from John McAnany to Chris McAnany; and 2) answering questions pertaining to the Annual Report of Bad Debts. Clarification of those questions included: 1) summarizing the revised Bad Debts Write off Policy dated October 24, 2016 and the required reporting to the Board; 2) stating the total bad debt write-off amount reflects the time period of 10-1-16 through 9-30-17; 3) stating that Jody Kole reviews the quarterly write-off amounts compared to the quarterly revenues prior to authorizing write-off approval; 4) acknowledging the write-off amount is normally a “hard loss” to GJHA; 5) stating that the write-off amount is higher this year due to extensive repairs to two units; and 6) informing Board Members all appropriate accounts receivable amounts have been sent to collections.

With no further questions, a motion by Chris Launer, a second by Ivan Geer, and a unanimous vote approved the Consent Calendar with the above mentioned revision to the September 25, 2017 Minutes.

5. Report from the Finance and Audit Committee

Pre-Audit Interview with Auditors

Amy Case reported on the pre-audit telephone interview the Finance and Audit Committee (Committee) held with Audit Manager Mr. Joe Fee of Hawkins Ash, CPAs, LLP prior to the Agency audit scheduled for the week of November 13, 2017. Topics addressed included: 1) internal controls; 2) auditor rotation; 3) and programs to be reviewed.

Note: A competitive solicitation process is held every three years to procure auditing services, which will occur in 2018. The Committee will evaluate submittals and make a recommendation.

Presentation of Calendar Year 2018 Budgets for Tax Credit Properties and Request Approval of Resolution No. 2017-10-02 Adopting Operating Budgets for Calendar Year 2018 for Arbor Vista, Linden Pointe, and Village Park

With prior distribution of the 2018 Budgets for the Low Income Housing Tax Credit (LIHTC) Properties for Arbor Vista, Linden Pointe, and Village Park, Amy Case referenced the memo dated October 18, 2018. Projections for fiscal/calendar year ending December 31, 2018 for each property included: 1) percentage of rent growth; 2) operating expenditures; 3) capital expenditures; 4) payments on accrued interest and soft debt; and 5) distribution to Deferred Developer Fee. At the Committee’s request, staff developed a chart for the three tax credit properties illustrating the Deferred Developer Fee and Soft Loan Payments to the General Fund in 2018, which is based on 2017 cash flow. Amy Case explained those figures.

The 2018 Tax Credit Properties Budget documents and memo dated October 18, 2017 from Amy Case included the chart titled *Rent for Tax Credit Properties*. Additional clarification of this chart by Amy Case aided the group in understanding why there are different maximum rents at the properties. The maximum rents depend on the length of time the property has been in service. If the AMI increases, then rents can increase. Jody added that if the AMI decreases, GJHA can be forced to lower the rent, but not below the “placed-in-service” rent floor.

Presenting the highlights of the 2018 Budget for these three properties, Amy Case said: 1) the Agency maintenance hourly rates increased; 2) the overall fixed operating expenses are based on a 3% inflation rate; 3) very few capital projects are planned; 4) vacancy loss is based on historical data; 5) soft loan payments to GJHA affect the adjusted cash flow at each property; 6) the 2018 budgeted soft loan payments are based on the property's actual 2017 performance; 7) the handout distributed illustrated each property's 2017 projected actual Net Operating Income (NOI); and 8) to focus on the NOI when reviewing the overall operating performance of the properties.

Jody Kole answered Chris Launer's questions regarding possible federal tax reform affecting the equity investor's write-off amounts, and how that might affect the Tax Credit partnerships with GJHA by saying that each Partnership Agreement would need to be reviewed. The proposal from Wells Fargo for The Highlands 2 states that if there is a loss of credits for no reason other than a change in the law, GJHA is not responsible to make up the difference except as through the annual cash waterfall distribution. This "make-up amount" would occur ahead of the Deferred Development Fee or soft note payments. Staff will research prior Tax Credit Partnership Agreements and present the findings to the Board.

With discussion complete, *Resolution No. 2017-10-02 Adopting Operating Budgets for Calendar Year 2018 for Arbor Vista, Linden Pointe, and Village Park* received unanimous approval with a motion by John Howe and a second by Chris Launer.

6. Annual Risk Management Update

Board Members received the 2017 Stewardship Report as part of the Board Packet material. Meeting distribution of pages 9 and 10 replaced illegible pages previously included in the Report. This Report is prepared by the GJHA insurance broker, HUB International, and illustrates how GJHA is addressing risks. The document shows what insurance entity is providing coverage, what category, the level of liability, limits, deductible amounts, and premium costs. Categories covered included: 1) general liability; 2) cyber liability; 3) business automobile; 4) employer's liability; 5) workers' compensation; 6) commercial property; and 7) management liability.

HUB representative Jennifer Walker joined the meeting via a telephone conference call to present the GJHA Risk Management update with a review of the 2017 Stewardship Report.

Forecast information given by Jennifer Walker included: 1) with the renewal date prior to year-end, GJHA can expect only a slight rate increase in 2018; 2) because of the devastating national disasters and the enormous amount of property claims, property rates are predicted to increase significantly in 2019; and 3) construction material costs will increase considerably.

Further review of the Report information illustrates: 1) the Workers' Compensation Experience Mod reflects that GJHA is performing very well; 2) the workers' compensation premium is increasing slightly but to GJHA's credit, costs are well controlled given the increase in the employee numbers and payroll costs; 3) the loss summary general liability category reflects an outstanding reserve amount from 2016 for a personal injury claim that is in negotiation; 4) the loss summary property liability category shows an outstanding reserve amount related to equipment failure of the cooling tower at Ratekin Tower as reflected in two claims - the original claim and a

reopened claim; 5) the low loss ratio percentage for the property liability illustrates GJHA is performing well; and 6) with the GJHA General Contractor function, a new and different exposure for self-performance of small construction projects will need to be addressed.

As the broker, HUB shops insurance for GJHA and meets annually with staff to discuss opportunities. Repricing efforts will occur shortly as December 31, 2017 is the renewal date for GJHA.

7. Delegated Authority to List and Sell Certain GJHA Properties and Request Approval of Resolution No. 2017-10-03, and Request Adoption of Restated Bylaws of the Grand Junction Housing Authority and Resolution No. 2017-10-04

The GJHA Bylaws require that the Board Chair sign all documents regarding the sale or purchase of GJHA property. At the September 25, 2017 Board Meeting, discussion occurred regarding amending the current GJHA Bylaws to allow staff to execute listing, sales contract and related documents to expedite the process of the sale of the remaining small GJHA properties while assuring that the CEO and Board Chair remained as signers on the closing documents for real estate transactions. The Board directed staff to work on a proposal for consideration.

GJHA Attorney Jill Norris referenced Article III – Officers, Section 2 – Chairperson of the GJHA Bylaws and discussed the proposed change. With the additional language italicized below, Article III-Officers, Section 2 reads: The Chairperson shall preside at all meetings of the Authority. The Chairperson shall sign all contracts, deeds, real estate transactional documents for the purpose of buying, selling, conveying or encumbering real property and instruments authorized by the Commissioners, *except as otherwise delegated to the Chief Executive Officer or Chief Operating Officer by Resolution of the Board.*

With a motion by Ivan Geer and a second by John Howe, *Resolution No. 2017-10-04 Requesting Adoption of Restated Bylaws of the Grand Junction Housing Authority* received unanimous Board approval.

Resolution No. 2017-10-03 Approving the Listing and Sale of 3257½ Mesa Avenue (Clifton), 2721 Patterson Road #1002, and 2817½ Elm Street Properties passed unanimously with a motion by Chris Launer and a second by Ivan Geer.

8. Update on The Highlands

The Highlands

Jody Kole gave a brief update on The Highlands saying that the process for the LIHTC Final Application to the Colorado Housing and Finance Authority (CHFA) is underway. As part of the process, the Cost Certification is being sent to the GJHA tax credit attorney who will offer an opinion. These documents, along with compliance fees, will be part of the Final Application submittal due to CHFA by the end of October 2017. When the 8609 Tax Credit Certification is issued, GJHA will receive its next installment payment of the Developer Fee of \$200K.

Progress is continuing toward closing the permanent loan and paying off the construction loan, with an anticipated closing date approximately the end of November 2017. With the conversion to permanent financing, GJHA will receive another installment payment of the Developer Fee of \$240K.

Jody said the first mortgage is with the Bank of Colorado and the second mortgage is from CHFA's Healthy Homes Loan Program. Obtaining CHFA's Healthy Homes Loan makes GJHA eligible for grant funding up to \$50K per year for three years, which could support a full-time Service Coordinator. Response by staff to Due Diligence items requested by CHFA is on-going, with an anticipated closing date for the CHFA loan around the end of November 2017.

Tenants are settled in and The Highlands "is home" to seniors occupying 64 units. Several residents recently shared positive feedback, and noticeable door wreaths/holiday decorations express "homey" feelings. Amenity spaces are being utilized, some classes have started, and service providers continue to express interest in providing services.

9. Other Business

Confirm December Board Meeting for December 19, 2017

The group confirmed that December 19, 2017 is the date for the December Board Meeting, beginning at 5:00 p.m.

10. Adjourn

With no additional business, the meeting concluded at 6:58 p.m. with a motion by Phyllis Norris, 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.