

MINUTES

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

Monday, November 27, 2017
8 Foresight Circle
5:00 p.m.

1. Call to Order

Grand Junction Housing Authority (GJHA) Board Chair Tami Beard called the regular November Board Meeting to order at 5:05 p.m. on November 27, 2017. Board Members present represented a quorum and included Ivan Geer, John Howe, Tim Hudner, and Phyllis Norris. Board Members Chris Launer 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, Director of Construction and Development Tim Spach, and Housing Choice Voucher Supervisor Racquel Wertz. Guests included GJHA attorneys Jill Norris and Rich Krohn.

2. Presentation of General Contractor – Resolution No. 2017-11-01 Regarding GJHA Acting As Its Own General Contractor

Scott Aker explained that Resolution No. 2017-11-01 is the formalization of GJHA acting as its own General Contractor for only renovation/rehabilitation on properties owned and/or operated by GJHA, as previously presented and discussed by Board/staff. Scott Aker assured Board Members that there are no specific changes to the GJHA Procurement Policy because of this requested action.

Resolution criteria addressed the following six elements: 1) eligible projects; 2) licensing required; 3) design services or specialized trades prohibited; 4) limitations; 5) insurance; and 6) evaluation of projects. Scott Aker further clarified design services (item number 3) by saying that GJHA will not engage in or provide design services requiring professional licensing such as engineering, architectural services, electrical design, etc. Current GJHA insurance policies provide adequate general liability coverage, both for specific events and overall. Additional project specific coverage can be purchased if the scope of work requires additional amounts.

A motion by Phyllis Norris, a second by Ivan Geer, and a unanimous vote approved *Resolution No. 2017-11-01 Authorizing the GJHA to Act as General Contractor for Certain Types of Construction Projects*.

3. Nellie Bechtel Funding Sources Acceptance

Federal Home Loan Bank of Topeka and Energy Outreach Colorado

With a capital renovation project planned at the Nellie Bechtel Apartments, staff applied for various grants and loans as sources of funding. Contract documents from Energy Outreach Colorado are under review, staff received notice of funding from Federal Home Loan Bank of Topeka for both Nellie Bechtel and The Highlands 2, and GJHA received a funding commitment from the Colorado Division of Housing (CDOH).

Tim Spach discussed the \$2MM scope of work for the project that includes: 1) mechanical upgrades; 2) site upgrades such as parking lot improvements, outdoor lighting and more; 3) lighting upgrades and chair lifts (new or upgrades) in each building; 4) community garden improvements; 5) one fully-accessible building with roll in showers and exit ramps designed to be compliant with the Americans with Disabilities Act (ADA); 6) building boilers and water heaters; and 7) unit interior upgrades, including new appliances, excluding cabinets and countertops.

Project funding includes short-term tenant relocation while unit interior work is done. A tenant informational meeting will be held to inform tenants on relocation plans and reassure individuals of full lodging accommodations during their unit interior work. There are 12 buildings with 8 units in each, and the plan is to complete one building at a time.

Amy Case briefly explained the Sources and Uses document showing the various funding sources and overall project cost breakdown. The recently-approved \$300K+ grant from Energy Outreach Colorado is not included in the document figures. Board discussion topics included: 1) terms of loans and grants; 2) prospective additional funding sources; 3) GJHA contribution in equity and cash; 4) property cash flow; and 5) vacancy rates.

Tim Spach said that with Board approval, work will begin as soon as possible. With the colder weather, Tim also noted that temporary oil-filled space heaters will be provided for tenants during building boiler replacement. It is estimated that this work will take approximately one week per building to complete.

Colorado Division of Housing

Referencing the memo by Jody Kole dated November 20, 2017 previously distributed to Board Members, Jody Kole and Rich Krohn highlighted problematic terms in the Colorado Housing Initiatives Fund (CHIF) loan along with the GJHA red-lined proposal recommendations rejected by CDOH. Jody Kole said she is not comfortable accepting these terms without discussion with the Board and the Board's prior approval.

Rich Krohn outlined mitigating factors to consider when deciding to accept the terms or decline the funding. Extensive group discussion ensued covering a vast array of topics with Jody Kole and Rich Krohn providing answers. Mr. Krohn's conclusion was that while some contract terms are onerous, they are very unlikely to be necessary given GJHA's long track record of success and good relationship with CDOH. He also encouraged Board Members to consider that because the CHIF Loan does not have a prepayment penalty, if at any time GJHA became too uncomfortable with contract terms or how they were being applied, GJHA could refinance the loan and remove itself from the contract terms.

With a motion by Phyllis Norris to accept the terms of the CHIF Loan and authorize Jody Kole to execute the documents on behalf of GJHA and a second by John Howe, the motion carried unanimously.

4. Permanent Financing for The Highlands

The Highlands - Approval of Resolution No. 2017-11-02 Authorizing Borrowing from CHFA and Reducing the Amount Previously Approved Borrowing from the Bank of Colorado

Jody Kole explained that in 2016 the Board previously approved permanent financing from the Bank of Colorado as part of the funding for The Highlands. Recently, during the underwriting process for The Highlands 2, staff discovered a new CHFA Healthy Homes Loan Program (Healthy Housing loan) with a favorable interest rate for a second mortgage for The Highlands. Terms of the loan are a 3% interest rate, 30-year amortization with 17 years maturity compared to the 5.5% interest rate at the Bank of Colorado. GJHA received a commitment from CHFA for a Health Housing Fund permanent financing loan, for \$500,000 for The Highlands 1.

Jody Kole said that assumptions for operating expenses made during the preliminary underwriting of The Highlands have changed, so having the ability to reduce the monthly mortgage payments allows for improved cash flow. Staff is working to demonstrate to Wells Fargo, the Equity Investor Partner, that The Highlands has achieved three full months of acceptable debt coverage ratio, which will meet the Wells Fargo underwriting criteria and allow conversion to the permanent mortgage.

Amy Case and Rich Krohn addressed the dollar amounts reflected in Resolution No. 2017-11-02, which reduces the previously approved principal amount of the Bank of Colorado Permanent Loan to an amount not to exceed \$725,000. Rich Krohn further clarified that the original authorized borrowing amount in Resolution No. 2016-03-02 is not being increased but rather Resolution No. 2017-11-02 confirms that the dollar amount will not be more, and may be less, than the minimum amount authorized in 2016 with Resolution No. 2016-03-02.

Jody Kole, Rich Krohn, and Amy Case also explained that the commitment by GJHA to the Bank of Colorado for the original loan amount is still being honored. The reduction of the \$500,000 due to the Healthy Housing loan will be applied to Courtyard Apartments.

Staff is requesting the Board modify the previous borrowing amount stated in Resolution No. 2016-03-02 and accept the terms for the Healthy Housing loan for The Highlands.

With no further discussion, Ivan Geer made a motion to: 1) amend the amount of the authorized borrowing to the Bank of Colorado, 2) to authorize the execution and delivery of the documents to CHFA for the \$500,000 Healthy Home loan, 3) that with the documents executed by the Chief Executive Officer (CEO) and Board Chair the documents are acceptable to each of them, and 4) this Resolution ratifies any acts previously taken by the CEO and Chair regarding this matter. The motion carried unanimously after a second by Tim Hudner.

Rich Krohn and Jill Norris departed the meeting at 6:12 p.m.

5. Report from the Finance and Audit Committee

Overview of Quarterly Financial Statements Ending September 30, 2017 and a Report on the GJHA Final FY 2016-2017 Audit

Committee Chairman Tim Hudner gave the Finance and Audit Committee report by saying that the Fourth Quarter Financial Statements ending September 30, 2017 showed no exceptional issues. Amy Case mentioned that these Financials include the Auditors' field work recommendations, followed by only four journal entries for the entire year. The Financials remain in draft form. Upon incorporating the financials of the Tax Credit Properties, the auditors will issue the Final Financial Statements for FY 2016-2017. Tami Beard said the auditors were very complimentary of the staff's work on the financials and compliance documents. The Board extended appreciation to the staff for an exceptional audit.

Amy Case explained that there is a new auditing requirement for internal controls that the finance and operations staff is addressing that covers cash management, compliance, and a focus on the Agency's main program, the Housing Choice Voucher (HCV) Program.

With prior Board conversations regarding all GJHA programs and properties having the same budget year of January to December, staff dialogue with the auditors included requesting their opinions regarding this possibility. Auditors indicated that it is feasible, so staff will continue to consider the ramifications and consult with public housing authority colleagues in Colorado.

With no further discussion, the Board accepted the Fourth Quarter Financials Ending September 30, 2017 with a motion by Phyllis Norris, a second by Ivan, and a unanimous vote.

Request Approval of Arbor Vista Loan Modification

Board Members received in the Board Packets a memo authored by Amy Case dated November 20, 2017 giving the background of the Arbor Vista original loan modification offered by CHFA. The modification executed on July 1, 2017 lowered the interest rate from 6.85% to 6.08% on the CHFA Small Affordable Rental Transactions (SMART) loan and extended the amortization term over 30 years. This reduced mortgage payment increased the cash flow, which could accelerate the pay down of the Deferred Developer Fee from Surplus Cash.

CHFA recently offered GJHA an alternative modification to the original CHFA SMART loan modification executed on July 1, 2017 and is referenced as the "Proposed Mod November 2017". Specific terms can be reviewed in the November 20, 2017 memo referenced above. Discussion ensued covering the impacts of the new modification offering, including: 1) further lowering the interest rate from 6.08% to 5.5%; 2) reduce the monthly cash flow savings; 3) require an extension of the loan lockout period; 4) save significant dollars in interest expense; and 5) reduce the balloon payment due at maturity.

For clarification, Jody Kole defined the 17-year period regarding tax credit properties. The normal transaction preparation and construction of the development takes approximately 2 years. Tax credit properties have a 15-year initial compliance period during which the Equity Investor is involved for the 15 years. At the conclusion of the 17 years, the Tax Credit Equity Investor is ready to exit the transaction. The General Partner typically purchases the Limited Partner's

interest, assuming the outstanding debt. In this case, once the property is owned in full by GJHA, the property will qualify for tax exempt financing.

Tim Hudner indicated the recommendation of the Finance and Audit Committee to pursue the proposed modification.

Ivan Geer made the motion to accept the recommendation of the Finance and Audit Committee and approve this Proposed Mod November 2017 for Arbor Vista. With a second by John Howe, the motion passed unanimously.

6. Housing Choice Voucher (HCV) Management Update

Referencing the memo dated November 20, 2017 written by Amy Case and Racquel Wertz, Amy Case and Racquel Wertz gave a brief update on the HCV Program.

The Board previously authorized the expenditure of Voucher Program Administrative Fee Reserves (Reserves) to support full lease-up of the number of Vouchers to “Baseline Units” allocated to the Agency. Although 100% Baseline leasing will not be achieved in 2017, significant progress is being made. In addition, another staff goal of minimizing the increase in Per Unit Costs is being successfully achieved.

Reserve funds will not be needed in 2017 for allocation to the Housing Assistance Payments (HAP) expense, because GJHA will fall slightly short of full cumulative Baseline leasing. GJHA estimates it will end the 2017 Calendar year with 96.5% of total possible unit months leased and HAP Budget Authority expended at 101.5%. Funding to cover the additional 1.5% HAP expenses will not be covered by the GJHA Reserves, but will be covered by HAP reserves. Anticipated re-benchmarking figures for 2018 will be provided by staff at the January Board meeting. It is anticipated that 2018 HAP Budget Authority funding will be similar to 2017.

Request Approval of Resolution No. 2017-11-03 Approving Section 8 Management Assessment Program (SEMAP) Certification

The Section Eight Management Assessment Program (SEMAP) is an evaluation of the Section 8 Voucher Program. The review process is a joint effort by the HUD Office of Public Housing along with a GJHA self-assessment, with each entity examining different functions. GJHA independent auditors validate the GJHA self-assessment. With the completion of HUD’s SEMAP evaluation of GJHA, once again GJHA is designated High Performer with a score of 96.5% out of 100%. Congratulations to the HCV staff for their efficient work. Board Members will receive a copy of the SEMAP Certification following this meeting.

Ivan Geer made a motion to approve *Resolution No. 2017-11-03 Approving Section 8 Management Assessment Program Certification* with the spelling correction of Resolution in the title. A second by Phyllis Norris and a unanimous vote approved Resolution No. 2017-11-03.

Request Approval of Housing Choice Voucher Eligibility Position

Staff recommended the addition of one full-time employee for an eligibility/front desk specialist position. Referencing the memo dated November 21, 2017 from Scott Aker and Racquel Wertz, Scott Aker summarized the workload, identified specific relative statistics highlighting increased client volume and intensity, and stated that in the past six months, staff utilized temporary employees as well as GJHA Housing Specialists to assist with the demanding workload. Jody Kole and Scott Aker explained that the GJHA Consolidated Budget for FY 2017-2018 adopted by the Board at the August 28, 2017 meeting included this level of expenditure as a temporary position, and that the HCV Program can afford the addition of this full-time position without requesting a budget authority increase.

The Board approved the addition of one full-time employee as an eligibility/front desk specialist with a motion by John Howe, a second by Phyllis Norris, and a unanimous vote.

7. Other Business

Chris Launer Reappointed to Board

Staff and Board Members extended congratulatory remarks to Chris Launer for his reappointment to the GJHA Board.

Budget Request to the City of Grand Junction for Bookcliff Squire Demolition

Scott Aker reported that the 2018 Budget for the City of Grand Junction includes a \$75K request from GJHA for demolition assistance at Bookcliff Squire. The final Budget Hearing is scheduled for December 6, 2017.

Note: The approved 2018 Budget for the City of Grand Junction included the GJHA Request for the \$75K for Bookcliff Squire demolition assistance.

FY 2016-2017 GJHA Agency Audit

The Board and staff recognized the staff teams of property managers, HCV staff, and accounting personnel for receiving excellent auditor comments regarding the review of HCV and property tenant files for compliance and thoroughness of Agency financials.

8. Adjourn

The regular November Board meeting concluded at 6:52 p.m. with a motion by Tim Hudner, 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.