

MINUTES

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

Monday, January 22, 2018
8 Foresight Circle
5:00 p.m.

1. Call to Order

Grand Junction Housing Authority (GJHA) Board Chair Tami Beard called the regular January Board Meeting to order at 5:08 p.m. on January 22, 2018. Board Members present represented a quorum and included Tim Hudner, Chris Launer, Ivan Geer, and John Howe. Board members Jerry Schafer and Phyllis Norris did not attend. Others in attendance included GJHA Chief Executive Officer Jody Kole; Chief Operating Officer Scott Aker; Controller Amy Case, Human Resource Director Krista Ubersox, Asset Manager Suzy Keith, Director of Development Tim Spach, Special Projects Coordinator Danette Buck, and Housing Choice Voucher Supervisor Racquel Wertz. Guests included GJHA attorney Rich Krohn (arriving later as noted below).

2. Welcome Krista Ubersox, GJHA Human Resource Director

Originally from Wisconsin, Krista Ubersox has lived in the Grand Valley for 13 years. She is a graduate of Mesa State College / Colorado Mesa University and has worked in Human Resources for 10 years including time with School District 51 and most recently with Mesa County. GJHA staff and Board welcomed her.

3. Consent Agenda

With no questions or changes, the Board adopted the minutes of the regular November 22, 2017 Board Meeting and

Resolution No. 2018-01-01 Designating the Location for the Posting of The Notice of Meetings and Establishing a Meeting Schedule for 2018 (4th Monday of each month) for The

Board of Commissioners of the Grand Junction Housing Authority with a motion by John Howe, a second by Chris Launer, and a unanimous vote.

4. Funding for Nellie Bechtel Apartments

As follow up to the November 2017 discussion which addressed Federal Home Loan Bank of Topeka (FHLB,) Colorado Division of Housing (CDOH) low interest loans and a CDOH grant, Tim Spach announced that GJHA was able to secure additional funding with Energy Outreach Colorado through the State Energy Office for the Nellie Bechtel renovation project. This increase in funding will allow enhancements

to the original scope of work including more efficient boiler systems, significant upgrades for insulation, and a contribution of 19 refrigerators. Energy Outreach will act as the project manager within their scope, line up sub-contractors, and do the bidding to make sure its procurement process is followed per State guidelines. This grant will allow over \$300,000 in enhancements to the Property. In conjunction with its funds, Energy Outreach asks for an owner contribution of slightly over \$150,000 which was already covered in the original project financing, except for a possible \$11,000 deficit. GJHA has a \$125,000 contingency built into the project and anticipates finishing substantially under budget. The differential will very likely be covered in cost savings.

During the initial financing of the Nellie Bechtel Apartments, GJHA projected year-one funding plus a 15-year look-ahead period to estimate operating expenses. Addition of Energy Outreach funds to this renovation project will accelerate some anticipated future capital expenditures. Now, only a few things will not be contemplated in year one such as roof shingles and vinyl siding, which will be needed in future years, and will be more easily funded given the significant improvements with this current project. Jody Kole pointed out that enhanced energy related items, including upgraded insulation in air ceiling and LED lights (upgraded from incandescent) will help save substantially on utility costs.

Jody Kole explained the need for *Resolution No. 2018-01-02*. When GJHA acquired the Nellie Bechtel property, there was not enough time to complete a full and final financing package. GJHA had a \$600,000 bridge loan with Bank of Colorado (BOC) that matured at the end of the 2017 calendar year. The collateral for the that loan was the Lincoln Apartments. To extend that loan, the bank requested an updated appraisal, which would have taken several weeks and a few thousand dollars to secure. Instead, GJHA set aside \$600,000 in a Certificate of Deposit to pledge as collateral until CDOH funds come in.

Jody Kole stated that the CDOH funds are expected within 2 to 3 weeks. Amy Case further explained that the Director of DOLA just needs to sign documents before it funds.

With no other questions and discussion complete, *Resolution No. 2018-01-02 Ratifying and approving extension of the Nellie Bechtel bridge loan and related substitution of collateral* received unanimous approval with a motion by Chris Launer and a second by Ivan Geer.

5. Financial Status of Housing Choice Voucher (HCV) Program

Controller Amy Case discussed projected 2018 performance and the potential need to use some administrative reserve funds, as has been previously discussed by the Board in late 2017. The Board was reminded that projecting both the Housing Assistance Program (HAP) rental assistance and HCV Administration funding levels by HUD and the resulting reserves is difficult due to the lack of an adopted federal budget,

HUD appropriations, and uncertainty regarding proration factors for both accounts. Given that uncertainty, the following was discussed:

- If GJHA maintains a policy of trying to achieve full baseline leasing, the impact to Administrative Fee Reserves will depend on HUD's prorations, and other assumptions including monthly cost per unit. Preliminary calculations produced a variation between \$143,000 and \$434,000 cost to GJHA based on flat per-unit-costs. Staff have initially projected these amounts using the average of the House and Senate proposals for funding and proration factors.
- If GJHA fully uses HAP resources (2017 reserves and 2018 budget authority) we could lease up 12,442 unit months total. This would mean serving 44 fewer families in 2018. In 2019, GJHA would have to cut approximately another 44 through attrition. With reduced base line leasing, based on reserves HUD gives GJHA for leasing, the cost to GJHA will be about \$263,000 in unearned budget authority. GJHA will need to decide how much to spend to increase the budget authority and keep serving 1,083 families per month.

Racquel Wertz explained that HAP expense, per unit costs and overall expense, was higher in December and January due to port-out bills coming out late. GJHA can expect to see these expenditures go back down in the next few months. Utility allowance has also increased; we will see people paying a little more out of pocket.

GJHA is fully leased as of this month and currently has 49 vouchers issued to families looking for homes to lease. GJHA does not plan to pull names from the waiting list for Voucher issuance other than VASH and Project-Based Vouchers as required by HUD.

Amy Case added that the inflation adjustment factor came in at 3.38, slightly higher than last year's 2.6, which is helpful to the budget.

Jody Kole stated that this topic will be revisited when a federal Budget is adopted and we know how much in annual HAP payments will be approved by HUD. We should anticipate higher per-unit costs given the tightening in the local rental market, resulting in higher rents.

Tim Hudner said they've discussed this in the Finance Committee and decided it would be best to spend down some reserves for the time being, to maintain the highest level of responsible leasing possible. By March or April GJHA may need to make some course corrections. For now, the plan is to trend downward as slowly as possible.

6. Report from the Finance and Audit Committee

Tim Hudner indicated that quarterly financials will be presented next month. Tami Beard explained that because the Finance Committee meets just one week prior the regular board meeting there isn't much time for Amy Case to make sure they are correct and allow the Board to review them. The Board was asked if they would have any objection in the presentation of quarterly financials being delayed one month, on an ongoing basis, with the caveat that anything pressing would be brought for immediate consideration. No objections were voiced and it was agreed that month-old financials will not impair the Board's ability to make decisions.

Regarding the voucher issue, as addressed above, Jody Kole assured this will be monitored and any information will be brought to the Board as soon as it is available.

7. Presentation of The Highlands Budget and Request Approval of Resolution

Amy Case brought attention to items on the budget summary that work differently than what has been reported in the past.

- The \$150,000 Service Coordinator Grant from CHFA (Healthy Homes Grant) will be disbursed to GJHA over 3 years (\$50,000 annually) and will cover the costs of a Service Coordinator for the property. GJHA doesn't know yet if that will be in a lump sum, monthly disbursements, or in another form. The Service Coordinator responsibility is to make sure vulnerable tenants have access to on-site and community-based services which help to keep them stably housed long term. Services may include housekeeping, activity coordination, health and wellness, assistance with tenant association, etc.

Note: The full \$150,000 will be available to GJHA upon closing of the Permanent Financing March 26, 2018.

Ivan Geer inquired about professional fees. \$11,365 professional fees in the budget are for internal accounting fees, some computer fees, and external audit fees.

- Another anomaly on the budget is the Xcel expense. Xcel bills GJHA for all service to The Highlands building. Each tenant is metered separately and then billed by GJHA for their use. Tim Spach explained the sub-metering saved money on installation but the downside is that Xcel set the rate based on volume of consumption. The Highlands energy is billed at "Secondary General", the highest rate.

GJHA has also explored ways to keep rates down such as participation in community solar gardens. Tim Spach has also done some energy education for tenants, teaching them to close curtains and blinds during the hottest times of day and to turn off tv and lights when not in use. GJHA will address this issue as we move forward with new properties. Jody Kole added that CHFA requires tax-credit financed buildings to be pre-wired for rooftop solar panels, should that become cost effective in the future, and we can compare that to

Secondary General and we may look for grant sources to add solar panels to the roof at some point in the future.

GJHA has been working with an energy consultant on design development and using an energy design assistance program from Xcel on The Highlands and Highlands 2, which gives a rebate when the property is finished. The one-time rebate on The Highlands was \$27,000.

Attorney Rich Krohn entered the meeting at 5:50 pm.

Amy Case indicated there will likely be an operating budget revision within the year because the initial budget was prepared with only 6 months of history. While GJHA doesn't have a full year of operating experience, it is required to provide this budget to Wells Fargo (the equity investor) at the beginning of the calendar year.

Tim Hudner asked if, because it is a tax credit property, the goal is to break-even and Amy Case answered that GJHA wants cash flow to pay down some of the soft loans including the Deferred Developer Fee which is a 15-year must pay. Amy continued that there is an 8% vacancy rate built in to the budget which GJHA has not experienced, and insurance costs that may drop. The \$3,500 negative cash flow includes accrued interest added back, assuming the vacancy. Clarification was given, that deferred developer fee can be made up in later years if not made in year one.

With a motion by Tim Hudner, a second by Chris Launer, and a unanimous vote, the Board approved Resolution No. 2018-01-03 Adopting Operating Budget for Calendar Year 2018 for The Highlands budget for highlands

8. **Board Organization**

Election of Officers of the Board of Commissioners for 2018 Board Chairperson, Vice Chairperson and Committee Assignments

Chris Launer recommended Tim Hudner be elected as Chair and John Howe as Vice Chair. Board Members concurred. Chris Launer moved to approve the slate. The motion passed with a second by Ivan Geer and a unanimous vote.

Committee Assignments: Finance and Audit Committee, Incentive Compensation Committee, and Real Estate Committee

2018 Assignments to the Incentive Compensation Committee will be Tim Hudner, Tami Beard, and John Howe. These individuals are assigned based on their positions as Chair, Vice Chair, and Immediate past chair to GJHA Board.

2018 Assignments to the Finance and Audit Committee will be John Howe as Chair (in conjunction with his service as the Vice President to the GJHA Board,) with Chris Launer, Tim Hudner and Tami Beard as committee members.

2018 Assignments the Real Estate Committee include Ivan Geer continuing as Chair with John Howe, Tami Beard, and other GJHA Board members attending as needed. This committee meets on an as needed basis.

9. Update on The Highlands

Jody Kole informed the Board that permanent financing on The Highlands is expected in the first week of February. GJHA is also progressing toward the construction loan closing on Highlands 2. Funding for both The Highlands and Highlands 2 will, in part, be through CHFA Healthy Homes loans.

The loan terms are favorable on Highlands 2, and GJHA is working through survey and title issues (settlement of an uncertain boundary with School District #51.) The biggest challenge has been working with CHFA on the documents and requirements on the first mortgage. A special meeting to talk about this will be scheduled with the Board, tentatively Tuesday February 20th, and to approve Highlands 2 and authorize Chair and CEO to sign paperwork.

The rate on the construction loan is more favorable than permanent financing on The Highlands so that conversion can wait. The construction loan maturity date is April 1. Developer Fee installments are outstanding and will be paid upon the closing of the permanent financing.

Special meeting was scheduled for Tuesday February 20th, 11 am – 1 pm.

10. Other Business

Annual Meeting

Scott Aker reminded the Board that the Annual Meeting is scheduled for January 29, 2018, 11:30 am at Stocker Stadium. GJHA will not taking board member pictures this year. We currently have RSVPs from 62 people. This year's presentation will highlight the Supportive Services programs.

Additionally, GJHA will be handing out three awards. Attendees were asked to not disclose this before the meeting.

- Two awards will be given to Community Partners that work with our Supportive Services
- The Partner in Housing Award will be given to Shaw Construction

11. Adjourn

Minutes (contd.)

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With the business meeting complete, the meeting adjourned at 6:19 p.m. with a motion by Tim Hudner, 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