

MINUTES

Grand Junction Housing Authority
September Board of Commissioners' Meeting

February 25, 2019 5:00 p.m.
8 Foresight Circle

Call to Order

The GJHA Board of Commissioners' meeting was called to order at 5:08 p.m. by John Howe, Board Chair. Attendance was taken by roll call with the following present:

<u>Commissioners:</u>	John Howe, Chair	<u>GJHA Staff:</u>	Jody Kole, CEO
	Ivan Geer, Vice Chair (5:20 p.m.)		Scott Aker, COO
	Tim Hudner		Krista Ubersox, HR Director
	Tami Beard		Suzy Keith, Asset Manager
	Chris Launer		Amy Case, Controller
	Phyllis Norris		Jill Norris, General Counsel
	Scott Proper		Jane Hart, Executive Assistant

Guests: Mike McCabe, Oak Leaf Solar Gardens

Oak Leaf Solar Garden

Item 3 of the agenda became the first topic of discussion to make the best use of time for guest Mike McCabe of Oak Leaf Energy.

After introducing Mike to the group, Scott Aker stated the purpose of this agenda item is to request support for entering in to a new 20-year subscription agreement for a community solar garden to be developed in Palisade. This solar garden will be substantially larger than the one the Housing Authority subscribed to in 2018; in that agreement, subscribed at 600,000 kilowatts (kW)/year. The proposed new subscription will be for 1.6 Million kW/year. Between the two, most meters for which the Housing Authority is paying the electric bill would be covered.

Oak Leaf has offered to extend the same pricing, \$0.04 per kilowatt hour(kWh), as GJHA contracted for in 2018. A spreadsheet presented at the meeting showed the potential bill credit, calculating the difference between Oak Leaf pricing and the pricing per kWh charged by Xcel over time. Suzy Keith noted the first-year savings numbers were included in a memo along with 20-year estimated savings. The GJHA staff recommendation is to approve the request and direct staff to execute necessary documents to enter into a new contract with Oakleaf.

Tim Hudner asked what would happen if the Housing Authority were to sell a property metered within the subscription. Scott Aker stated if that were to happen, GJHA would be obligated to pay out the contract but has the option to transfer the contract, or a portion thereof, to another subscriber. Another option would be to replace that property's assignment by subscribing other GJHA meters up to 120%.

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Scott and Mike further explained that federal law allows subscriptions of up to 120% capacity of each meter. This was described as a financial transaction wherein the subscriber can purchase bill credits at the negotiated rate of, for example, 4 cents/kWh, and receive an energy bill credit of 6.5 cents/kWh. Because the benefit of the 2.5 cents/kWh margin in the example is not limited to actual electricity usage, there is a maximum of 120% of the meter's capacity that a subscriber can take advantage of.

Jill Norris pointed out that in the event of sale of subscribed GJHA properties, a transfer of the solar garden subscription could be negotiated in the contract. Jill further explained that only 5% of the total solar garden is required to be subscribed to by low-income housing, so GJHA could potentially transfer its subscription, in part, to anyone wanting to accept the remainder of the 20-year commitment.

The Board had a robust discussion regarding the pros and cons of the solar garden contract including risks of taking on a long-term contract, specifically if Xcel costs were to decrease significantly over time. Options available if properties are sold out of the GJHA portfolio and how the credits should be distributed among properties were also contemplated. The highest priority assignment of credits in the current subscription will be to The Highlands to help offset operating expenses and help decrease the monthly expense incurred by tenants. The total savings expected overall in the recommended new subscription, assuming a fixed 2.5% increase in electricity prices every year (based on Xcel pricing over the last 11 years) would be approximately \$982,000 over 20 years.

Chris Launer stated he would support moving forward with the Oak Leaf contract despite concerns over the 20-year term and noted this proposal is the same as the contract signed last summer with a non-performance clause on both sides. In response to a Board Member question, Mike stated that no shorter term is available and that the maximum subscription the Housing Authority can take in the solar garden is 40% (1.6 Million kW). Mike explained that the combination of subscribing a specific meter at 120% of actual use, which allows for a financial benefit at a particular property, together with the 40% maximum subscription per garden, provides GJHA operational benefits without the ability to hoard those benefits to the exclusion of another subscriber.

After projections were reviewed and with the conversation drawing to a close, Chris moved to approve Adoption of Resolution 2019-02-02, *Approving Community Solar Garden Subscription Agreements with Oak Leaf Solar 43, LLC*. Tami Beard seconded the motion. With all in favor, none opposed, the motion passed.

Chris requested the Board be given quarterly or semi-annual updates on solar garden contract performance versus the forecast presented.

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Consent Agenda

The consent agenda consisted of a Request for Adoption of Minutes for January 28, 2018 Annual Meeting Minutes and January 28, 2018 Regular Board Meeting Minutes. The Consent Agenda received approval with a motion by Phyllis Norris, a second by Ivan Geer, and a unanimous vote.

Report from the Finance and Audit Committee

Amy Case reported that draft Tax Credit Partnership Audits and Tax Returns were discussed with the auditor, Novogradac, in last week's Finance and Audit committee meeting. While none of the audits are final, drafts are in process. The delay this year is due to changes in deductibility of interest expense outlined in the 2017 Tax Reform bill. Investors need to choose to elect an extended depreciation period for improvements (increase from 27.5 years to 40 years) or experience limited deductibility of interest. The Linden Pointe investor, Boston Financial, is the only investor who has made a decision, deciding to elect to lengthen the depreciation period. Should investors decide to elect extended depreciation, that election will be irrevocable. Staff and auditors have been waiting for direction from investors. A draft of the agency audit has been received but cannot be finalized until all Tax Credit (Discreetly Presented Component Units) audits are complete and incorporated. John Howe added that Novogradac has been very pleased with GJHA Accounting staff overall.

Amy then gave an overview of the December 31, 2018 Quarterly Financials highlighting the following:

Federal Home Loan Bank of Topeka grant funds for the Nellie Bechtel renovation were received in December resulting in a large increase in allocated operating cash balance.

There has been an unplanned deferral of revenues in the General Fund after looking more closely at terms of the Service Coordinator Grant for The Highlands. There is a 3-year performance period for payment on the grant, so the payments are deferred and accruing quarterly.

Courtyard is still operating positively or within budget with a higher than normal cash position after Elm House sale proceeds were deposited into that fund. The property's position within the GJHA portfolio is under review; and therefore, some budgeted improvement projects are being delayed until a decision is made.

The Next Step cash position is negative as usual because State funding is regularly two months behind. Good progress on leasing has been made with 13 families leased up in this new Rapid Rehousing model. The goal is to have 15 families in the program at a time.

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The final use of Voucher Program Administrative Fee Reserves as of December is still unknown. It is expected to be either \$99K or \$124K. The final amount will depend on whether the funding for twenty-eight new mainstream vouchers shows up in HUD's budget authority model as of November 2018.

Allowances on Tax Credit Partnerships for bad debt were booked, as December represented the end of their Fiscal Year. GJHA will have a few write offs in January and then reverse those allowances.

John stated that the Finance and Audit committee's recommendation is for the Board to accept the statements as presented. Ivan made a motion to Request Approval of 12/31/18 Quarterly Financial Statements. Phyllis seconded the motion. The motion carried with all in favor, none opposed.

Extension of Bank of Colorado line of credit for the Nellie Bechtel Apartments renovation project

This extends the Line of Credit used as operating capital for the Nellie Bechtel renovations, which will be paid off periodically with proceeds from State resources. GJHA will not need another appraisal and no fees will be charged for the extension. Nellie Bechtel is owned by GJHA and therefore qualifies for tax exempt financing.

Chris Launer moved to adopt Resolution 2019-02-01, *Approving Change in Terms of Bank of Colorado Loan No. 2644068125 (Courtyard/Nellie Bechtel Line of Credit)*. Resolution 2019-02-01, *Approving Change in Terms of Bank of Colorado Loan No. 2644068125 (Courtyard/Nellie Bechtel Line of Credit)*, The motion passed with a 2nd by Scott Proper and unanimous vote.

GJHA policy regarding Colorado Open Records Act (CORA)

Jill started by telling the Board there was an omission in the Board memo whereas the intent is not to publish this policy on the website, but rather to post the policy in the display area in Housing Authority lobby and make copies available at the front desk.

The creation of this policy was prompted by a recent Colorado Open Records Act (CORA) request with respect to a recent Request for Proposals (RFP) for Information Technology Managed Services. An unawarded vendor requested copies of other vendor's submittals. GJHA has no policy in place to direct a response. There is a need to handle these requests consistently. By statute, a fee can be charged for direct costs, but no research time can be charged without a policy in place. Jill reviewed the City of Grand Junction's policy, along with policies authored

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by other Housing Authorities in the state of Colorado and those of other governmental agencies before drafting one for GJHA.

To Tim's question, Board of Commissioners' emails are subject to CORA. Jill recommended GJHA set up email accounts specifically for use in Housing Authority Business. Tim asked if Commissioners could each be given a GJHA email address. GJHA staff will work to provide this.

Chris asked if there is a records retention policy, or timeframe for which email must be kept. Jill responded that she will work on a policy to address records retention along with a records destruction policy.

John made the following suggestions to change the draft CORA policy provided in the Board package:

Section 4.4 - Regarding exception of appraisals, add the phrase "in accordance with applicable law."

Section 7.8 – Regarding how the information is delivered, remove the phrase "to which the request is directed" from the first sentence.

Jill added that GJHA has opted to not accept electronic requests because proof of receipt and time of receipt could be problematic to track and cannot be guaranteed.

Tami made a motion to approve *Resolution 2019-02-03*, as amended per above, *Adopting Policy and Procedure for Inspection and Copying of GJHA Records Under the Colorado Open Records Act and Related*. The motion passed with a second by Ivan and unanimous vote.

Development Update

Jody Kole began the update with Highlands 2, stating there are still some materials delivery challenges. The development team is working toward a Certificate of Occupancy (CO) on or before May 1, 2019 and hopes to fully lease by May 31, 2019. Shaw Construction had advanced its estimated delivery date to May 3, 2019 but, because Tax Credit benefits and penalties occur on a calendar month basis, Jody countered that a CO needs to be in hand, with or without conditions, by May 1, 2019. Shaw has agreed to push to meet the desired schedule and will authorize overtime to complete construction projects and will work double crews to install floors.

Residents in phase one of The Highlands seem to be anticipating the opening of Highlands 2 with some apprehension so Jody suggested holding a celebration to open Phase 2, such as a

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block party, with a concert and fun theme rather than offering strictly a formal ribbon cutting by dignitaries. A relaxed and fun environment may help break the ice between current and future residents.

Plans for the property at 2814 Patterson, commonly referred to as "2814," are moving forward with the construction drawings expected to be complete by April 5, 2019. The GJHA development team has received a first round of comments back on plans submitted to the City of Grand Junction. GJHA staff met with City staff last week to clarify some questions they had. GJHA answers will be submitted back to the City next week. Once the City of Grand Junction signs off on the plans, they will be submitted to Mesa County for a building permit. That building permit is expected to be in hand prior to GJHA's application for tax credits, which is due by June 1, 2019.

To Chris's question about current Low-Income Housing Tax Credit (LIHTC) pricing, Tim believes a good project could still get in the high 90s cents on the dollar. "2814" is in a good Community Reinvestment Act (CRA) market and GJHA will have a strong application. There will be some challenges in filling the funding gap and there may be some special conditions that will have to be met in order to secure funding.

Tim mentioned that income averaging has become more common. Jody explained that when a project isn't expected to be profitable with all units at 60% or lower Area Median Income (AMI), some developers have used income averaging which mixes in higher AMI units. The burden therein would be on property managers to keep track of all tenants with potentially fluctuating income levels and refilling vacancies according to stricter qualification percentages than already exist. It will be safer to keep all units at a lower AMI. Chris added that including higher income units may erode the mission of the Housing Authority.

Regional Center Update

A group of Community Partners including Mesa County Public Health, Grand Junction Economic Partnership, Grand Junction Area Chamber of Commerce, and Colorado Mesa University (CMU), have begun conceptualizing what could be next for the 47-acre parcel being vacated by the Regional Center. Grand River Environmental completed a Phase I Environmental Study which allowed a very rough estimate of cost of asbestos and other remediation at \$7.5mm, not including demolition of the many buildings currently on the property. Before moving ahead with any planning, a Phase 2 Environmental Study will be needed to test ground water, test for asbestos, complete mill tailings testing, etcetera. The Phase 2 Study may cost \$750k or more to identify and quantify what is there.

GJHA has been asked to fill out grant applications to the Environmental Protection Agency for up to \$500k toward a Phase 2 assessment and testing. GJHA is not anticipated to be the applicant, as there is no GJHA ownership in the property. Tim pointed out that there could be

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substantial potential liability for the owner of the property in years to come. Jody believes the community needs to know what is there, the potential possibilities for the property and the down side. Ivan added that according to his aunt who is an historian, there is also a Native American Cemetery on the property.

Legislative Update

Scott Aker informed the group that Senator Gardner visited the Grand Valley last week and hosted a meeting at The Highlands to talk about his Veteran's Initiatives – four bills to expand and enhance services to Veterans. The Senator wants to build deep and broad partnerships at a local level and encourages collaboration. The meeting was well received and there was good participation from those in attendance. Amy added that the newly adopted Transportation-HUD budget includes \$40mm for new HUD-VASH vouchers available in 2019-2020 and Senator Gardner expressed that he would like to see our community receive its fair share.

Amy gave an update on 2019 State Legislative bills:

Department of Local Affairs, Division of Housing could receive additional funding to house individuals recovering from opioid addiction.

A Warranty of Habitability bill would place mandatory landlord response times on tenant complaints for issues that would cause a unit to be deemed dangerous or unhealthy. Language in this bill is somewhat concerning because it would give tenant specific rights around withholding rent and/or potentially engaging their own vendors to repair units. There are, however, some exceptions to the right to withhold rents for Section 8 and Housing Choice Vouchers, or other subsidized properties..

Extension of the Right to Cure for non-substantial lease violations would extend the right to cure from 3 days to 14 days for non-substantial violations including non-payment. This bill is moving forward but there have been conversations around reducing the proposed right to cure period from 14 days down to 7 or 10 days. One drawback to this proposal is speculation that lost rents and other expenses will likely be passed on to future tenants through increased rents.

Other Business

Chris asked if an update is available regarding the Housing Authority's search for vacant land for potential development. There was nothing new to report.

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Jody told the Board she has appreciated the understanding she received around her absence from the Annual Meeting and said she will be gone first week of April tending to personal matters.

Roofing has been completed at the GJHA main office with no further issues.

With no further business, Tami made a motion to adjourn and Phyllis seconded the motion. With all in favor, none opposed the meeting was adjourned at 7:13pm.

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