

MINUTES

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

Friday, October 12, 2012
Housing Authority Offices
1011 North Tenth Street
2:15 p.m.

1. **Call to Order**

A special October Grand Junction Housing Authority (GJHA) Board Meeting was called to order at 2:16 p.m. by Board Chair Chuck McDaniel with the following individuals in attendance: Board Members Scott Aker, Tim Hudner, Paul Marx, and Chris Mueller; Staff Members Chief Executive Officer (CEO) Jody Kole, Chief Operating Officer (COO) Lori Rosendahl, and Executive Assistant Kristine Franz; and GJHA Attorney Rich Krohn with Dufford, Waldeck, Milburn, and Krohn. Teresa Coons arrived later.

2. **Village Park Development**

Update

In Jody Kole's briefing on the Village Park Development, she stated that the primary aspects of the transaction, referenced in her previously distributed October 8th memo, have not changed but the financial analysis is continuing to change, making final transaction summarization difficult today. Additional documents showing project costs, project sources, comparisons, etc. were distributed for review later in the Meeting.

She further explained that Enterprise's underwriting criteria is very conservative and becomes tighter as Enterprise staff becomes more cautious. When Enterprise assumes more conservative underwriting standards on income, there becomes less net operating income on the bottom line to pay debt. Therefore, borrowing decreases and creates a need for increased GJHA funds to balance the transaction.

With Enterprise requiring a 5-10% contingency on hard costs (total construction costs) and a 2% contingency on soft costs, it was realized this week that Enterprise assumed attaching the Shaw Construction (Shaw) contingency line item number shown in the Shaw Budget was an option in reaching that percentage. This is not viable, however, as that line item is earmarked to cover construction variances for Shaw. Enterprise is standing firm, requiring GJHA to set aside additional contingency funds to meet its underwriting standards, as GJHA is showing only a 3% hard-cost contingency outside the Shaw contract and a 2% soft-cost contingency. Enterprise suggested deferring more of GJHA's Developer Fee with postponement of payment of fees that GJHA is already entitled to until later, at one of the two following times:

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- Late in the construction/lease-up process or
- At the closing of the permanent construction loan. Any Developer Fee amount that is not paid at closing becomes a promissory note paid out of cash flow in 5-10 years.

Teresa arrived at 2:24 p.m.

To improve the group's understanding of the Partnership Agreement, Jody explained the document and identified the many components, which includes many sub-agreements. She explained the aspects of each sub-agreement, noting that the entire Partnership Agreement is structured so cash flows to GJHA from Operations for management of the various sub-agreements during the 15-year loan period. At the end of the 15 years, there is a first right of refusal whereby GJHA buys the property from the Limited Liability Partnership for \$1.00 above the outstanding debt on the property.

Group discussion covered such topics as:

- Tim Hudner suggested obtaining a bank line of credit as a contingency fund instead of tying up additional Developer Fee.
- Jody Kole explained that Enterprise's cash installment payments to GJHA is on the same schedule and will not change. If more of GJHA's Developer Fee is deferred, that means more cash from Enterprise is put into construction and less into GJHA's pocket, lowering the construction interest during that period. This would be to GJHA's benefit at the closing of the permanent mortgage, as there will be more funds to pay down the Developer Fee.
- Jody Kole noted that the opportunity for GJHA to earn a bonus for early delivery on a per building basis still remains, and a similar bonus provision is included in the Construction Contract with Shaw.
- In Jody Kole's Board memo of October 8th, she addressed the unit countertops and the oversight in the Shaw construction budget regarding the cost of these countertops. Shaw will assume financial responsibility for the omission.
- Enterprise underwriting shows the \$1.4M in Developer Fee to be paid in increments during the construction/lease up process with \$704,484 deferred until October 2014 at a 5.1% interest rate.
- \$111K will be held out of the Developer Fee until October 2014.
- Enterprise has requested approval of all Change Orders.

Jody Kole stated that if Board transaction approval is given today, the Village Park Development is on the October 17th Agenda of the Enterprise Investment Committee, with an anticipated transaction closing scheduled for October 24th and 25th.

Jody Kole requested another short-term scope of work be authorized with Shaw in the Housing Authority's name. A delay in closing the Enterprise Equity Investor Partnership Agreement and Shaw's excavating subcontractor being ahead of schedule, as part of the smaller scope of work approved by the Board during the September 17th Meeting, creates a need to keep work progressing until the Partnership Agreement is closed. Jody distributed the October 12th memo from Dave Hall of Shaw, and discussed the proposed limited scope of work with a ceiling cost of \$125K.

Teresa Coons noted the importance to support Shaw in its accelerated schedule and performance. The group concurred.

Jody Kole referenced the chart illustrating the flow of funds and noted that the Bank of Colorado's construction loan financing should not exceed \$7.2M and the Bank of Colorado's permanent loan financing should not exceed \$2.6M and requested authorization of such.

Jody Kole gave clarification on the additional GJHA Sponsor Loan of \$60,000 stating that this need should be eliminated once the Bank of Colorado's interest rate lock letter is provided to Enterprise.

Rich Krohn stated that approval of *Resolution No. 2012-13 of the Board of Commissioners of Grand Junction Housing Authority Concerning Development of Village Park Apartments* gives Jody Kole and Chuck McDaniel full authorization on behalf of the Board to close the transaction. He also noted that the four crucial documents necessary to finalize the transaction are:

- *Resolution No. 2012-13 of the Board of Commissioners of Grand Junction Housing Authority Concerning Development of Village Park Apartments*
- The Factual Certificate signed by Jody Kole certifying correctness on a factual basis
- The Opinion Letter from Rich Krohn confirming authorization
- The document from Holme Roberts and Owen LLP rendering the tax opinion

The request to subdivide the Village Park parcel into Lot 1 and Lot 2 will be submitted to the City of Grand Junction (City) Planning Department soon. Administrative approval with no public hearings is expected. Lot 1 is being developed for the Village Park Apartments with Lot 2 planned for Phase II of the Development.

Rich Krohn explained that the Lease and Option with the Partnership allows construction to proceed in advance of dividing the property. Once the parcel is divided into two lots, the Partnership will exercise the option to purchase the property from GJHA.

Rich Krohn left the Meeting at 3:00 p.m.

With a motion by Paul Marx and a second by Chris Mueller to approve *Resolution No. 2012-13*, a roll call vote was requested by Teresa Coons. A unanimous roll call vote approved the Resolution.

A motion by Teresa Coons and a second by Scott Aker was approved unanimously with a voice vote to authorize a second Amendment to the Shaw Contract not to exceed \$125K for a limited scope of work to continue the construction progress on the Village Park Development until the transaction is closed with Enterprise. The Housing Authority would be liable to Shaw for costs incurred if the partnership fails to close.

3. Other Business

Agenda Items for the October 22nd Board Meeting

The following discussion topics were requested by attendees to be added as Agenda items for the October 22nd Board Meeting:

- The Employee Incentive Compensation Recommendation from the Board Subcommittee. Chuck McDaniel will forward to Board Members for review the Subcommittee's recommendation prior to the October 22nd Board Meeting.
- Strategic Plan Update, requested by Chris Mueller
- Welcome to the new GJHA Board Member. Teresa Coons informed the group that Grand Junction City Council should approve its Subcommittee's recommendation of the new GJHA Board Member shortly.
- Change Order for Repair to the Ratekin Tower Elevators
- Approval of the FY 2012-2013 Payment Standards of Current Fair Market Rents
- Follow-up on the Proposal received from Housing Resources of Western Colorado (Housing Resources) dated September 11th (distributed to Board Members in the September 24th Meeting Board Packet)

Scott Aker requested Jody Kole refresh his memory regarding the proposal received from Housing Resources.

Jody explained that Housing Resources would like GJHA to become a Special Limited Partner in its Grand Valley Apartments Tax Credit transaction. The property reaches its Year 15 purchase opportunity in 2014.

If GJHA becomes a Special Limited Partner for this property, GJHA's property tax exemption status would cover the property, saving Housing Resources about \$16K/year in property tax expenses.

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With available meeting time remaining, the group decided to use this opportunity to discuss the proposal now instead of delaying conversation until the October 22nd Board Meeting. Rich was asked to rejoin the Meeting at 3:17 p.m. Discussion included the following topics:

- Need to seek a legal opinion from City Attorney John Shaver
- Will the tax exemption status for all Colorado Housing Authorities eventually be jeopardized with other entities using the tax exemption status of agencies
- Housing Resources is a 501C3 organization
- Housing Resources is considering refinancing the property. A Private Activity Bond (PAB) 15-year refinance transaction is being considered.
- Currently, a for-profit developer is managing the property and is expected to transfer its interest
- Encourage a permanent solution; ie: find equity, grant funds, etc. to support Housing Resources
- Consider a soft note from GJHA
- Promote a challenge grant
- Discuss 501C3 organizations with property tax exempt status and/or just tax exempt status
- Roughly 40% of the units at the property are currently occupied by GJHA Voucher Holders
- Assist Housing Resources with State Legislature request to acquire property tax exempt status – takes time
- Housing Resources provides great services to the community with its rehab and sweat equity programs
- GJHA could cover legal expenses to research why Housing Resources property doesn't currently have property tax exemption status
- Under the Mesa County Intergovernmental Agreement, if GJHA has ownership interests in real estate outside the City limits, authorization must be acquired from the Mesa County Commissioners
- Is authorization needed by City Council/Mesa County Commissioners if funds are granted or loaned to Housing Resources by GJHA?

The group agreed that becoming a Special Limited Partner in the property solely to extend GJHA's tax exempt status isn't a viable option. The group was also in agreement to try to assist Housing Resources in some other way. To do so, GJHA will offer to conduct legal research to discover why this property doesn't have a property tax exemption status. The legal costs for research will be paid by GJHA. Rich Krohn will also investigate if authorization is needed by City Council/Mesa County Commissioners to grant or loan funds to Housing Resources.

Combined November/December GJHA Board Meeting Date

Because of the upcoming holidays, a combined November/December Board Meeting date was scheduled. December 10th at 11:30 a.m. was the date chosen and the Meeting will be held at the Voucher Services Center at 1011 N. 10th Street.

4. Adjourn

With no further business the special October 12th GJHA Board Meeting was adjourned at 3:38 p.m.