

MINUTES

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

Monday, February 25, 2013
1011 North 10th Street
11:30 a.m.

1. Call to Order

Grand Junction Housing Authority (GJHA) Board Chair Chuck McDaniel called to order the regular February Board Meeting at 11:35 a.m. with the following individuals in attendance: Board Members Teresa Coons, Tim Hudner, Chris Launer, and Chris Mueller; Staff Members Chief Executive Officer (CEO) Jody Kole, Chief Operating Officer (COO) Lori Rosendahl, and Executive Assistant Kristine Franz; and guest, Mr. Martin Chazen, a Grand Junction City Council candidate. Those not in attendance included Board Members Scott Aker and Paul Marx and Staff Member Karla Distel.

2. Consent Calendar

Teresa made a motion that was seconded by Tim to approve the Consent Calendar as presented. The Consent Calendar, consisting of the *Adoption of Minutes for the four Board Meetings of October 12, 2012, October 22, 2012, December 10, 2012, and January 28, 2013*, was approved with a unanimous voice vote.

3. Village Park Development Update

Jody Kole thanked Board Members for attending the Village Park Development site tour on Saturday, February 23, 2013 conducted by Project Superintendent Tim Spach of Shaw Construction. The tour gave Board Members an opportunity to visit the site and see "first hand" the construction progress.

Jody began the Village Park update by stating that construction is 19% complete with everything going well despite the unusually cold weather, which has hampered construction crews.

The Grand Junction City Planning Department has conditionally approved the request to subdivide the Village Park parcel into Lot 1 and Lot 2. Lot 1 is being developed for the Village Park Apartments with Lot 2 planned for Phase II of the Development. Now that the parcel has been approved for division into two lots, the Partnership will exercise the option to purchase Lot 1 from GJHA. This transaction is anticipated to be completed within the next 30 days upon receipt of the already approved grant funding from the Colorado Division of Housing (CDOH).

Jody stated that a few items will require future Change Orders but noted that the issues are not problematic.

Minutes (contd.)

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The U.S. Department of Housing and Urban Development (HUD) annually publishes the income levels in any given area and ties that income level to what is an affordable rent for persons at or below 50% - 60% of the Area Median Family Income (AMFI). Income levels for the last few years have stayed relatively flat and have not declined. However, with the continued down turn in the economy and wages, the income levels have declined for this year. The impacts of this situation were outlined by Jody as described below:

- A certain rent level that was assumed as the maximum amount of rent that a unit at Village Park at 30 - 60% AMFI could rent for has now decreased.
- Enterprise, the Equity Investor Partner, would like to see any new tax credit unit rent at amounts that are less than the maximum, for a competitive advantage, thereby leasing more quickly and the development becoming financially viable.
- Overall, the lower rents will result in lower Net Operating Income, and lower debt carrying capacity. Therefore, more will have to be drawn from the Deferred Developer Fee.

Jody created and distributed a handout titled *Change in Economic Viability due to the Decreased Rent Levels Allowed in 2013*. The document illustrated an early forecast of possible changes to the Village Park Development financial picture due to the declining rent levels. Group discussion ensued with Jody providing clarification as follows:

- The AMFI listed on the handout is HUD's assessment of Mesa County.
- Enterprise looks at the HUD AMFI data set establishing the maximum rents, and wants Village Park's rents to be 10% below the maximums.
- The Net Loss in Income to GJHA for the first year due to the decreased rent levels is estimated at \$25,440. This changes the total amount that can be borrowed by \$390K, and this amount would have to be drawn from the Deferred Developer Fee. Negotiations are planned with Enterprise.
- Unit rental rates are the primary focus for the first year because it helps size the permanent mortgage.
- Enterprise is concerned that units stay leased, and wants to Pro Forma that rents will increase by 2% per year going forward. If rents begin at a higher rate, there will be less room for rent increases in the future.
- Recent figures for GJHA tax credit unit properties show only a 3% vacancy rate.
- Staff anticipates that lease up of all units will occur much quicker than Enterprise assumes.
- Are any tenants experiencing a reduction in work hours so employers can eliminate providing health care under the Affordable Health Care Act? Lori Rosendahl will make inquiries.
- Reports state the rental market is getting tighter in general.

4. Other Business

Sequestration

Lori Rosendahl reported on the three Programs that will be impacted if the Federal Government Sequestration goes into effect on March 1, 2013. Those three Programs are the Housing Choice Vouchers (HCV Program), Walnut Park Apartments, and Ratekin Tower Apartments.

Documents showing GJHA FY 2013 Budget versus the GJHA FY 2013 Sequestration Budget for the affected three properties were reviewed. The worst case scenario of an 8% cut for the fiscal year was used to calculate the Sequestration Budgets for Walnut Park and Ratekin Tower. A 65% proration for the calendar year average in Administrative (Admin) Funds for Vouchers and a 92% proration for calendar year average in Housing Assistance Payments (HAP) for Vouchers was used to calculate that Sequestration Budget. Figures were discussed and are shown below:

- Walnut Park - (\$20,370) funding reduction results in a (\$3,476) shortfall. A full-time employee temporarily assuming other program responsibilities will help reduce this shortfall, as will maximizing allowable draws from Replacement Reserves.
- Ratekin Tower - (\$41,226) funding reduction results in a (\$8,949) shortfall. A temporary reduction in labor expenses is projected due to one vacant full-time janitorial staff position and one full-time employee on leave, partially without pay. These staff responsibilities will be absorbed temporarily by other employees. Maintenance costs and expenses will be reduced as appropriate, and Ratekin Tower will maximize allowable draws from Replacement Reserves.
- HCV Program - Option #1 - Staying fully leased as is, a shortfall of (\$361,522) shows a draw down from Restricted Reserves for HAP. Option #2 - With reduced leasing, a shortfall of (\$11,657) for Admin shows a drawn down from Voucher Operating Reserves.

Answering Board questions, Jody and Lori addressed the following issues in relationship to the Vouchers Sequestration Budget:

- Currently, the Federal Government is operating on a Continuing Resolution, which expires March 27, 2013.
- The Agency is already experiencing a 25% decrease in Admin Fees in the HCV Program.
- HUD's allocation calculations for each year are based on the previous year's lease-up performance. It is critical that either the Budget Authority for the HCV Program be spent or 100% of the Voucher numbers the Agency is entitled to be

leased. In prior years, occasionally GJHA has absorbed some level of loss to ensure full optimized leasing.

- With HCV Option #2 above, there will be less Admin Fee earned if GJHA leases fewer than its baseline number of Vouchers.
- HUD will reduce its Contract figures with Housing Authorities to retroactively apply the sequestration cut effective for the calendar year.
- HUD can recapture some of the current Admin Reserve dollars.
- The Section Eight Management Assessment Program (SEMAP) evaluation won't be negatively affected if all of the Budget Authority is used.
- It is rumored that another 30-40 Veterans Affairs Supportive Housing (VASH) Vouchers may be awarded to GJHA. VASH Vouchers are exempt from the sequestration cuts.
- State funding is contractual and project specific so those funds are not affected by the sequestration.
- The current GJHA strategy is to continue to lease up for the next 60 days and adjust if necessary.

Scheduling Items

Alternate dates were considered for two 2013 Board Meeting dates affected by holidays. Tentative dates chosen were May 20, 2013 for the May Board Meeting and December 16, 2013 for December's Meeting. At this time, the remaining regular Board Meeting dates are as originally scheduled.

August 10, 2013 was chosen for the Strategic Planning Workshop. This planning exercise will be held at Linden Pointe in the community room, beginning at 8:30 a.m.

Absent Board Members will be advised of new dates by Kristine Franz.

Village Park Development Tour

To the credit of Project Superintendent Tim Spach with Shaw Construction and the construction crews, Chris Launer complimented the group on such a clean construction site with "first class" construction. Chris was among those who attended the Village Park Development tour on February 22, 2013.

Teresa Coons stated that no recent letters, telephone calls, emails, etc. have been received by Grand Junction City Council Members regarding the Village Park Development.

Teresa Coons left the Meeting at 12:23 p.m. A quorum maintained.

5. Adjourn

With business concluded for the regular February GJHA Board Meeting, the group adjourned at 12:25 p.m.