

YAMPA VALLEY HOUSING AUTHORITY BOARD MEETING
March 12, 2015

Kathi Meyer, Yampa Valley Housing Authority Board President, called the regular monthly meeting of the Yampa Valley Housing Authority to order at 12:00 p.m.

Board members present included: Kathi Meyer, Trish Sullivan, Catherine Carson, Scott Myller, Dillon Fulcher, John St. Pierre, Roger Ashton, Craig Melchow and Cole Hewitt.

Others present included: Jason Peasley, Yampa Valley Housing Authority Executive Director; Ward Van Scoyk, attorney; Chris Catterson, auditor. Members of the public included: Scott Wedell, Jackie Saari, Michelle Matthews, CJ Berg. Sarah Katherman recorded the meeting and prepared the minutes.

EN RE: PUBLIC COMMENT

Scott Wedell stated that he had received a call from someone who is having a very difficult time getting released to move out of an apartment managed by the Routt County Foundation on Senior Citizens. He offered that when someone occupying designated affordable housing unit is able to move on, the organization should consider this a victory. Mr. Wedell encouraged YVHA to make it easy for people to move out of their units when they are able.

Mr. Wedell stated that because housing in the community is a free market, the actions of YVHA influence the local market for housing. He said that if YVHA would purchase units in order to manage them as affordable housing units, it would add to the inventory of affordable housing in the community. He stated that building new units is not the only way to create affordable housing.

Kathi stated that YVHA manages its units according to the rules of the USDA. She encouraged Scott to meet with Jason if he has questions regarding YVHA policies.

EN RE: REVIEW AND APPROVAL OF 2014 AUDIT

Chris Catterson, the auditor of YVHA financial statements since the inception of the organization, reviewed the audit process. He emphasized the importance of the auditor remaining independent from the organization. He reviewed the major elements included in the financial statements and said that the only issue he had identified was the incorrect recording of the 2nd mortgages acquired from the Colorado Housing Coalition. The value of these mortgages should have been reduced by the amount that had already been written off as a loss. Chris added that no allowance had been established for program loan losses. He said that the losses would be initially estimated at 13%, to be reviewed annually. Chris stated that in addition to the financial statement audit, there is the single audit of the USDA loan for the Hillside Village apartments, which is considered an annual expenditure of federal awards. Catherine noted that the sample of tenant files that must be reviewed under the single audit is reduced for YVHA because the organization is classified as a low risk auditor. Chris noted one change that needs to be made to the cash flow statement on the loan reserve for Fish Creek Mobile Home Park.

In response to a question from John St. Pierre, Jason reviewed how rents are collected at Fish Creek and Hillside. Catherine reviewed the internal controls through which all of the data entry and bank reconciliation is handled separately from the collection of rents. She added that the Board also reviews the aging reports each month.

Catherine reported that the Finance Committee had met. She said that a paragraph would be added stating that YVHA is moving forward to bring the Sierra View loan into compliance with TABOR.

MOTION

Catherine moved to accept the audit with the changes and additions discussed, including the \$100,000 reclassification on the cash flow statement, the note regarding bringing Sierra View into TABOR compliance and noting that the Finance Committee will review and approve the management letter and the USDA-required rural development form when they become available. Trish seconded the motion.

Under discussion, Roger asked about the management letter. Chris stated that for liability reasons, the management letter is never included in the draft. He said the letter would state that the audited financial statements are clean.

The motion carried unanimously.

EN RE: LETTER OF INTENT BETWEEN OVERLAND PROPERTY GROUP AND YVHA

Jason stated that the draft document is the result of discussions attended by himself, Kathi, Scott and Pat and Matt of Overland. Ward worked with the Overland attorney to prepare the document. Jason stated that the letter of intent outlines the agreement, including what YVHA is bringing to the table and what Overland will provide. He noted that the letter clarifies that YVHA carries no financial risk. He said that the agreement will provide the community with 48 new affordable units, allow YVHA to get the Elk River Village property off of its books and stop servicing the debt and provide revenue to YVHA through the management fees from the project.

Ward stated that the letter of intent is a non-binding agreement, but added that the major outlines of the agreement would be difficult to change once this document is executed. Kathi said that the details of the arrangement would be spelled out if the tax credits are awarded.

In response to a question from Dillon, Ward explained that "special limited partner" is a term used to distinguish the authority (YVHA) from the investor. Kathi explained that the property would be sold for an amount equal to the remaining debt. This will occur at the outset of the project. In response to a question from Catherine, Ward reiterated that YVHA will carry no financial obligation. Jason noted that the only risk assumed by YVHA is its reputation.

Ward recommended that a subsidiary of YVHA be created specifically for this project. There was a discussion of the request outlined in the document that YVHA will make to the City and the County for a contribution to the project. Jason said that no fees will be waived, but that money could come from the Community Housing Fund to cover the fees. He said that the City and County would need to contribute to the project in order for the tax credits to be awarded. He added that reducing the debt on the project will ensure that rents remain low. Ward said that he would discuss modifications to the letter of intent with the Overland attorney. The recommended changes would remove unnecessary (and unknown) specifics and remove the language regarding the waiver of fees.

Scott reported that City Council seems receptive to using the Community Housing Fund toward the project. He noted that the project will move YVHA closer to self-sustainability. In response to a question from John St. Pierre, Ward reviewed that the tax credits serve to ensure that the project remains affordable into the future and that the development will not be sold. There was a discussion of the first right of refusal that would allow YVHA to purchase the property after the 30-year restricted period. Ward reviewed the difference between an operating agreement and a management agreement. Jason reviewed the protections that are in place to ensure that the rents remain low.

MOTION

Scott moved to table the approval of the letter of intent to the April 9, 2015 YVHA Board meeting to allow the recommended changes to the document to be made. John seconded the motion. **The motion carried unanimously.**

EN RE: FISH CREEK MOBILE HOME PARK INFRASTRUCTURE PROJECT

Kathi introduced John Snyder of the City Public Works Department. John announced that the three bids had been received for the work on the Fish Creek Mobile Home Park infrastructure project. The costs of the project will be shared between the City and YVHA. John stated that the lowest bid was from Connell Resources at \$1,498,180. Native Excavating submitted a bid of \$1,832,909. Duckels Construction submitted a bid of \$2,071,065. John said he would provide YVHA with a detailed breakdown of the bid soon. Jason said that these estimates fall short of what YVHA had budgeted. Jason and Kathi will meet with representatives of the City to discuss how to proceed.

EN RE: FOX CREEK VILLAGE CONDOMINIUM RENTAL POLICY

Jason reported that he had discussed the rental issue with YVHA attorney Bob Weiss as well as with the directors of several other housing authorities around the state. He noted that the only two aspects of rentals at Fox Creek that YVHA has the authority to enforce are the term of leases and the employment eligibility of renters. He stated that after considering various ways to calculate the one year in five year allowance for rentals outlined in the deed restriction, he recommends clarifying the rule to mean one year in the five year period between January 1, 2016 and December 31, 2020. Jason offered that this would allow a sufficient notice period for owners to make arrangements to comply if they are not currently in compliance. Owners would be required to notify YVHA in writing of their intention to rent, providing the term of the lease not to exceed one year and verification of the lessee's employment in Routt County. A hardship clause could allow an owner a second year of rental within the designated five year period, if approved by a special committee of the YVHA Board.

Public Comment

CJ Berg, an owner of a Fox Creek unit, stated that the overwhelming majority of owners do not want renters in Fox Creek units. She said that renters tend to damage the facilities but are not held responsible for damages, which are paid for by the homeowners' association (HOA). She stated that although Jim Wallen had stated at the last meeting that the HOA wants YVHA to enforce the deed restriction, she suggested that the owners should make that decision after YVHA has clarified its policy. She stated that while the Jason's recommendation provides a long-term policy, it does not address the immediate need. CJ said that she currently has disruptive, partying renters in the unit above her and that this policy will not address her concerns.

John St. Pierre offered that the HOA needs to meet and decide to establish rules and regulations prohibiting renters. Catherine noted that YVHA had agreed to monitor rentals when the units were originally sold. She said that YVHA has a moral and legal responsibility to do so. Jason noted that the only things that YVHA is authorized to enforce are term of lease and employment. YVHA cannot and will not enforce bad or irresponsible renters – those issues are the responsibility of the owners.

CJ asked how the YVHA will monitor compliance of the one in five year policy. Kathi said that YVHA would conduct an annual compliance check with owners. Craig agreed with John that the HOA needs to establish rules and regulations with a defined fee structure. Michelle Matthews of Central Park Management expressed concern that if the rental policy is enforced, many units will go into foreclosure and the deed restrictions will be eliminated.

Jackie Saari stated her agreement with CJ's earlier comments. She said that the problem began when original owners began to sell their units. New qualified owners bought the units and immediately rented them out without any monitoring by YVHA. Jackie stated that owners understand the one in five year policy and the HOA is

working on rules and regulations that will apply, but the owners want the rental policy to be enforced. She said that she wants to retain the ability to rent her unit in an emergency under the one in five year policy. She asked if YVHA could submit a contract of some sort to the property manager when an owner submits information regarding a rental so that the HOA is aware of who is living there.

Kathi reviewed that the YVHA Board had directed Jason to research an appropriate policy, which he has done. She noted that staff has limited time and that Jason will not be knocking on doors looking for renters. Kathi said that managing landlords and renters is not easy, but that it is up to the HOA to do so beyond what is in the deed restriction. Catherine suggested that Jason draft a letter to be sent to all owners June 1st notifying them of the policy and their need to notify YVHA if they intend to rent their units. A letter could then be sent annually. In response to a question from John, Dillon said that the YVHA could hold the owner of a unit liable for leasing in violation of the deed restrictions, but that it would be difficult to hold the tenant liable.

Jason stated that enforcement of the rental policy could be time consuming. He said that he would like the five year period to begin January of 2016 to allow owners time to address any current situation that is not in compliance. He offered that the Fox Creek HOA should develop rules and regulations if the YVHA's enforcement policy is not sufficient. Jason added that the only remedy available to the YVHA in response to violations of the deed restriction is forced sale.

CJ stated that the policy outlined by Jason for enforcement is not sufficient. She said she would like to see more. Craig suggested that the HOA come up with suggestions and provide them to YVHA in writing. CJ added that the Fox Creek project is not working and suggested that YVHA should learn from the mistakes made in that development. Jason asked her to notify him in writing of how the project is failing.

Roger and Craig offered to serve on a sub-committee that would act as a liaison between the Fox Creek HOA and the YVHA Board.

Trish left the meeting.

EN RE: RESOLUTION 2015-003 – APPROVAL OF LOAN WITH CWRPDA

A RESOLUTION OF THE YAMPA VALLEY HOUSING AUTHORITY, A MULTI-JURISDICTIONAL HOUSING AUTHORITY ACTING BY AND THROUGH ITS FISH CREEK MOBILE HOME PARK ENTERPRISE APPROVEING A LOAN BETWEEN THE COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY AND THE FISH CREEK MOBILE HOME PARK ENTERPRISE IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED \$481,250 FOR THE PURPOSE OF FINANCING IMPROVEMENTS TO THE FISH CREEK MOBILE HOME PARK SANITARY SEWER FACILITIES; AUTHORIZING THE FORM AND EXECUTION OF A LOAN AGREEMENT AND GOVERNMENTAL AGENCY BOND EVIDENCING THE LOAN; PROVIDING THAT THE GOVERNMENTAL AGENCY BOND SHALL BE PAYABLE ONLY RENTS FROM THE FISH CREEK MOBILE HOME PARK ENTERPRISE; AND PRESCRIBING OTHER DETAILS IN CONNECTION THEREWITH.

Jason explained that this resolution was prepared by the YVHA's bond counsel to facilitate the closing of the loan with the Colorado Water Resources and Power Development Authority. He explained that this is a do-over of the resolution passed earlier in the year.

MOTION

Scott moved to approve Resolution 2015-003 as written. Cole seconded the motion.

Under discussion Roger asked about the language of the resolution, noting that there seems to be a word missing. YVHA decided not to change the wording without advice from the bond counsel.

The motion carried unanimously.

EN RE: CONSENT AGENDA

The following items were presented on the consent agenda:

- a. Review and approval of February 19, 2015 minutes
- b. Review and approval of January 2015 financial statements

Catherine pulled the financials from the consent agenda.

MOTION

Catherine moved to approve the minutes of February 19, 2015, as written. Kathi seconded the motion.

The motion carried unanimously.

Regarding the financials, Catherine said that there a few timing issues and AJE adjustments that are needed, including adjusting the depreciation entry on the general fund. Other adjustments are needed to the operating expenses at Hillside Village and Fish Creek.

MOTION

Catherine moved to approve the January 2015 financial statements, as amended. Scott seconded the motion. **The motion carried unanimously.**

EN RE: STAFF REPORTS

Jason said that YVHA is close to closing its loans with the CWRPDA, although there may need to be additional conversations as a result of the bids. He said that tomorrow morning they will be rearranging the Home Store and could use help. Jason said that upcoming topics for discussion will include a continuation of the Fox Creek Village rental policy and bringing the Sierra View loan into TABOR compliance.

Catherine noted that under the Fish Creek Mobile Home Park report there was discussion of trying to settle an outstanding balance of \$5000 for \$1700. She asked what amount staff should be allowed to write-off without Board approval. Jason reviewed the details of the situation, which involved a unit being sold prior to the lot balance being paid. He said that staff is still in contact with the individual and they are trying to get what they can out of the settlement. Kathi suggested that Jason and Kate deal with the situation. The Board agreed.

EN RE: ADJOURNMENT

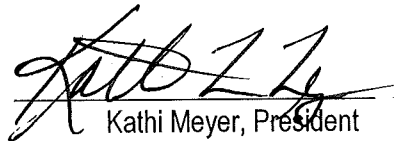
MOTION

Scott moved to adjourn the regular meeting of the Housing Authority. Catherine seconded; the motion carried unanimously. The meeting was adjourned at 2:30 p.m.

No further business coming before the Board, same adjourned sine die.



Sarah Katherman, Minute Taker



Kathi Meyer, President