

YAMPA VALLEY HOUSING AUTHORITY BOARD MEETING
September 11, 2014

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: Catherine Carson, Rich Lowe, Trish Sullivan and Doug Monger. Board members Johnny Sawyer, Kristi Brown, Scott Myller, John Spezia and Patrick Welsh were absent.

Others present included: Jaleen Purcell, a property owner at Fox Creek; Gary Foss, resident of Fish Creek Mobile Home Park; Bob Weiss, attorney; and Jason Peasley, Yampa Valley Housing Authority Executive Director. Sarah Katherman recorded the meeting and prepared the minutes.

EN RE: PUBLIC COMMENT

Ms. Jaleen Purcell, an owner of a unit at Fox Creek, asked if YVHA would ever lift the deed restrictions on the units at Fox Creek. She noted that deed restrictions have been removed or changed at West End Village and First Tracks. She said that when she purchased her unit she intended to stay there permanently and was fine with the deed restriction. She stated that the community there has changed as more and more people are renting out their units. Ms. Purcell explained that because the flooring above her unit had been improperly built, she is able to hear everything that goes on in the unit above her. She said the residents of that unit have been very loud, do not know the rules that apply to the development and did not have to take the homeowner's class that she was required to take prior to her purchase. She described the parties that have been held in the unit above her and the problems they have caused. Ms. Purcell suggested that rules should be established for renters and said that she would take this issue to the homeowners' association. She said that she is concerned about the deed restriction because she does not want to try to sell her unit now, if the deed restrictions may soon be removed or modified.

Jason reviewed the recent case in which the YVHA Board had removed a deed restriction with a six month window to allow the property owner to sell the unit. He said that the policy of the Board is to review requests for modifications to the deed restrictions on a case-by-case basis. Regarding rentals, Jason said that he had spoken with the homeowners' association and they intend to address this issue at the annual meeting to be held on September 23rd. He said that the Board will discuss possible modifications to the rental rules after it has received input from the association.

Catherine offered that YVHA may need to consider modifications to the deed restrictions to ensure that they function as they were intended. Ms. Purcell stated that the problem with the deed restriction is not the limit on appreciation, but rather the limit on who is allowed to purchase the unit. Kathi noted that YVHA does not have a direct ownership interest in Fox Creek, although it does hold the deed restrictions. Rich noted that if a unit goes into foreclosure, the deed restriction is eliminated.

Mr. Gary Foss said he did not have a comment; he was there to listen.

EN RE: UPDATE ON FISH CREEK DEBT RESTRUCTURING AND INFRASTRUCTURE LOAN

Jason reviewed the loan restructuring plan that will allow the water and sewer infrastructure to be rebuilt. He reported that YVHA had received a \$500,000 principle forgiveness grant from the Water and Power Authority for the drinking water portion of the project. This grant will cover approximately one half of the cost of the project. Jason said that the application to the Water & Power Authority for funding for the waste water portion of the project had been submitted, with the decision to be made in December. He said that the funding would most likely be in

the form of a 0% loan, as the pool of money available for principle forgiveness on this part of the project is much smaller. He added that the Colorado Department of Public Health and the Environment (CDPHE) is reviewing the construction documents and will require a public meeting to inform the tenants about the project and how it will affect them. This meeting may be held in October.

Bob Weiss reported that the draft loan documents for the Alpine Bank loan had been received. He reviewed the history of the meetings that had been held with Alpine Bank beginning in March. He said that the two major issues that had been discussed were TABOR compliance and the concern raised by Dee Wisser regarding YVHA's authority to assign the deed of trust. Following those discussions, Alpine Bank had informed YVHA that they did not foresee any problems. In the addendum to the draft loan documents just received, however, a provision was included asking for a legal opinion on the deed of trust and raising concerns regarding TABOR. Bob summarized that the bank's legal counsel is concerned that if the entire organization is taken into account (not just Fish Creek) the TABOR 10% limit on public funds would be exceeded. To address this issue, Bob suggested that YVHA could create a separate entity that would own Fish Creek Mobile Home Park and would be the official borrower. This entity would be wholly owned by YVHA. He stated that this arrangement would have to be discussed with the City and the Water & Power Authority. Bob said that he had mentioned to the bank that it was rather late in the process to raise this issue.

In response to a question from Catherine, Bob said that he was not certain if the financial statements would need to be filed separately for the two entities. Catherine noted that many issues including insurance, CIRSA and accounting would have to be considered if a new entity is formed.

Jason noted that the loan commitment with Alpine Bank expires this Friday, but may be eligible for an extension. Bob asked about the easement for access to Fish Creek. Jason said that an easement was acquired from Union Pacific, but had not been recorded. He said that he believes this can be easily addressed.

Doug joined the meeting and Bob reviewed the previous discussion. Doug asked if a separate 501(c)4 tax status would be required for the proposed new entity and noted that the change would also complicate the agreement with the City. Rich suggested that a face to face meeting with the Water & Power Authority to explain the situation may be required. Doug said that the Water & Power Authority would probably not have a problem with the proposal, but noted that it would increase the overall cost of the project. Jason and Kathi reviewed the reasons that restructuring the Wells Fargo loan is necessary. Bob stated that he would discuss the issue with City Attorney Tony Lettunich. Bob suggested that it might be appropriate to hold a special meeting to address this issue. Doug added that the YVHA Board would have to appropriate funds to pay for the transfer of assets, or would at least have to approve the concept of creating the new entity. He stated that it would not be acceptable to walk away from the \$500,000 grant under any circumstances.

Kathi noted that the resolutions listed under item 4 of the agenda would be postponed. A special meeting may be called to adopt the required resolutions related to the refinancing.

EN RE: 2015 BUDGET DISCUSSION

Jason reviewed the highlights of the proposed 2015 budget, as listed in the staff report. He noted the Elk River Village property lease is subject to annual appropriations, and asked Bob to address the impacts of choosing not to appropriate funds. Kathi also asked Bob for an update regarding what the YVHA Board must do and when it has to do it regarding the property. She reviewed the unsolicited offer submitted by Drake that the Board had declined. She reported that Drake had approached the bank directly. Jason stated that the bank was not at all interested in any arrangement that would result in less than full payment of the balance.

In response to a question from Rich regarding when the funding decision must be made, Kathi stated that the decision must be filed with DOLA prior to December 15th. Bob offered that if the Board is leaning toward not funding the lease, it should inform the bank well in advance. He said that if the bank is faced with an end to the lease revenue, it may be willing to consider other options. Doug suggested that the first priority was to complete the Alpine Bank refinancing. The discussion of how to handle the Elk River Village parcel could wait. Catherine agreed and stated that the Board must consider how any action regarding Elk River Village will impact the overall YVHA operations. She noted that the Finance Committee had reviewed the proposed budget in detail. Kathi stated that if funds are allocated toward Elk River Village in its annual budget, YVHA is obligated to pay the full year's interest. Bob said that he would confirm that this is the case, and check on when the decision must be made.

Rich noted that the bank had not taken the write-down on this property yet, and suggested that the bank may not have disclosed the situation with the Elk River Village parcel to Glacier Bancorp, which recently acquired First National Bank of the Rockies. He stated that he was surprised that the bank had not been willing to consider an offer that was somewhat close to the appraised value of the property.

Bob added that if YVHA decides to walk away from the property, the Board should make formal notification to the City and the County. He stated that in taking this action there may be some ramifications to the good-faith-in-borrowing abilities of other entities in the community. Doug offered that the Board could continue the discussion on this issue after the Fish Creek refinancing and infrastructure project has been finalized. The Board agreed.

Regarding other aspects of the proposed budget, Kathi stated that while she feels staff is doing an excellent job, the proposed allocation of 2.9% in one-time bonuses plus up to 5% increase in salaries was much higher than the increases being offered in other organizations.

Following a discussion of salary policies at other businesses and organizations, Kathi proposed including a total increase of between 3% and 4% in the budget, with more discussion prior to allocation. She directed Jason to provide the Board with more information regarding salaries. Catherine added that benefits should also be considered.

Regarding the other elements of the budget, Doug expressed concern that many of the line items, particularly in the administrative budget, had been increased arbitrarily. He stated that if there are particular projects that are expected to require funding, they need to be listed. He also noted that while the contribution from the County is listed at \$66,000, that amount has not yet been determined. He said that Jason will make a presentation to the Board of County Commissioners prior to the decision regarding the contribution. Kathi noted that the general fund is up more than \$60,000. She asked if Doug would prefer a healthy organization or a bare-bones operation with a zero bottom line. Doug stated that the \$60,000 is not a realistic number in any case. Jason noted that YVHA is walking a thin line between trying to become self-sustaining and demonstrating that it still needs the support of the City and the County. Jason said he doesn't want the good efforts to cut costs to hamstring the organization's operations in the future. He said that he would welcome a discussion regarding the benefit to the County provided by the activities of YVHA. He added that in order to substantiate the amounts listed in the line items the expenditures can be tied to elements of the Strategic Plan.

EN RE: HABITAT FOR HUMANITY ASSETS

Jason noted that the assets to be acquired from Habitat for Humanity are not included in the draft budget. He asked where the revenue from these assets should be booked. The average annual revenues will be approximately \$20,000 from the five mortgages for the next 25 years. Jason offered that using this money for operating expenses would move the organization toward self-sustainability. Catherine expressed concern that in

25 years this source of revenue will go away, so it is not actually sustainable. She suggested investing the money in community housing. Rich questioned the feasibility of leveraging \$20,000 per year into a meaningful project. Doug suggested keeping the asset in the general fund, but in a separate account to be held as a reserve and used only if really needed. Catherine stated that it would be great to establish an endowment of sorts that could help to fund YVHA operations in the long term.

Rich asked whether the salary for the Home Store manager had been established. Jason said that it is remaining at the current level for now.

EN RE: CITY AND COUNTY ANNUAL UPDATES

Kathi noted that YVHA is scheduled to meet with the Board of County Commissioners at 1:00 p.m. Sept. 23rd, following the Executive Committee meeting.

Doug asked about the update with the City. Jason reported that there were not many questions, other than regarding the number of people served. He said that he can answer this question, but is unsure if the number is meaningful. He suggested that it is difficult to find measurable ways to analyze the success of YVHA programs. Kathi stated that the issue is how to determine if the YVHA is meeting its goals. Jason said that the other questions mostly concerned the financial statements. Catherine offered that the grants received, projects completed and people served by various programs are all valid measures of success. Jason reported that 67 families live at Hillside and 55 families live at Fish Creek. Rich calculated that this amounts to approximately \$300/person provided by the City and County. There was a discussion of the value to the community of this investment.

EN RE: CONSENT AGENDA

The following items were presented on the consent agenda:

- a. Review and approval of August 14, 2014 minutes
- b. Review and approval of July 2014 financial statements

Catherine asked to remove the minutes from the Consent Agenda. She proposed to amend the sentence on the top of page 4 to state that "...YVHA continue to make lease payments on the property and to continue the Elk River Village discussion when the Fish Creek project is complete."

MOTION

Trish moved to approve the minutes of the August YVHA meeting, as amended. Rich seconded the motion. **The motion carried 5 – 0, with the Chair voting yes.**

MOTION

Catherine moved to approve the July 2014 financial statements. Trish seconded; **the motion 5 – 0, with the Chair voting yes.**

EN RE: STAFF REPORT

City Housing Policy

Jason reported that he, Kathi and Scott are working with a team of stakeholders to discuss the development of a couple of parcels (including the Elk River Village property) on a pro forma basis. He said that the goal is to determine the barriers to the development of low-priced free-market housing and work on ways to reduce the front-end risk involved in such development.

Hillside Village

Jason referred to Kate's memo and highlighted the USDA compliance review.

Fish Creek Mobile Home Park

Jason referred to Kate's memo, noting that the speed bumps have been installed. Doug commended Kate's progress on collections.

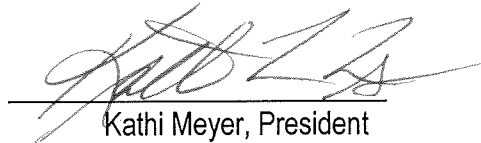
EN RE: ADJOURNMENT

Rich moved to adjourn the regular meeting of the Housing Authority. Catherine seconded; the motion carried unanimously. The meeting was adjourned at 2:21 p.m.

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



Sarah Katherman, Minute Taker



Kathi Meyer, President