

YAMPA VALLEY HOUSING AUTHORITY BOARD MEETING
October 9, 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: Johnny Sawyer, Scott Myller, John Spezia and Doug Monger. Board members Kristi Brown, Rich Lowe and Trish Sullivan were absent. Catherine Carson joined the meeting in progress.

Others present included: Emily Conjura; Dillon Fulcher; John P. Holloway III and Ryan Seiler property owners at Fox Creek; Matthew Gillam and Pat Beatty, Overland Property Group; Kate Totos, Fish Creek and Hillside manager; and Jason Peasley, Yampa Valley Housing Authority Executive Director. Sarah Katherman recorded the meeting and prepared the minutes.

EN RE: PUBLIC COMMENT

Mr. Ryan Seiler, an owner of a unit at Fox Creek, stated that he was speaking for himself as well as for the owners of another Fox Creek Village unit. He said that he had purchased his unit understanding that it was a great opportunity to purchase a starter home. He said that he is now ready to move on to a larger home but cannot afford to do so because he would have to take a loss of around \$100,000 if he sold his unit and is unable to rent it out to cover the mortgage. He stated that the rental restriction should be lifted and offered that rules could be put in place to ensure that the units are only rented to responsible, qualified adults and families.

Mr. John (Tres) Holloway stated that he had purchased his Fox Creek unit through the original lottery. He said that at that time the deed restrictions made sense, but that they do not in today's market. He said it is very difficult to find buyers who qualify and who want to buy a unit with deed restrictions. He stated that he did not understand why the deed restrictions are removed when a unit goes into foreclosure, and expressed concern that the deed restrictions are being lifted on some units and not on others. Mr. Holloway stated that all of the units should be treated in the same way. He agreed with Mr. Seiler that the current market and the restriction on renting the units mean that there is no way to move on. Mr. Holloway said that his unit had been on the market for three years and that he had been unable to find a buyer who would qualify and was willing to accept deed restrictions. He suggested that particularly for those owners who have owned their units for a long time there should be some provision that would allow them to move on.

Kathi said that the YVHA Board had not yet received a response from the Fox Creek homeowners' association regarding the rental policy.

EN RE: OVERLAND PROPERTY GROUP PRESENTATION

Mr. Matt Gillam, Vice President of Overland Property Group, stated that Overland is interested in doing a Low Income Tax Credit development in Steamboat Springs, and have been looking for property here for the past two years. He reviewed the company's portfolio of properties across the Midwest and Colorado, and highlighted the redevelopment of the Tabor Grand Hotel property in Leadville. Mr. Gillam said that the proposal for Steamboat would be a tax credit multi-family apartment complex. He reviewed the Low Income Tax Credit program, noting that the program is very competitive. He said that the demand for tax credits in Colorado is very high as banks struggle to meet their Community Reinvestment Act requirements. Mr. Gillam said that Overland would supply about 85% of the equity needed for the project. The property must remain affordable for 30 – 40 years.

Mr. Gillam said that Overland targets areas where there is a high demand for affordable housing. He reviewed a preliminary site plan for a 45-unit complex to be located on the Elk River Village property. He presented sample floor plans for the two-bedroom and three-bedroom units, which would be targeted at renters in the 40% to 60% of AMI range. He reviewed the target rents for each level of buyer. Mr. Gillam emphasized that this is only a preliminary plan to provide a place to start the discussion. He said that many elements of the proposal could and would change if the project moves forward. Mr. Gillam stated that a 48-unit project would be appropriate for the demand in Steamboat and would match the allocation model preferred by the Colorado Housing and Finance Authority (CHFA), but acknowledged that the size of the project could change.

Mr. Gillam reviewed the preliminary pro-forma, emphasizing that the goal of the presentation is to determine if YVHA is interested in pursuing the project. He said that they would like to work with the bank to find a way to restructure the debt to allow the project to work financially and work for YVHA. He said that the pro-forma was based on very conservative assumptions, noting that the goal is to get the debt reduced to around \$1.8 million. Mr. Gillam stated that the construction cost estimates are based on information from a contractor that has done several projects in Steamboat and a local civil engineer. Mr. Gillam reviewed the schedule of the CHFA application process, which would begin with a pre-application to be submitted in January.

Kathi asked what role YVHA would have in the project and how the ownership would be structured. Mr. Gillam stated that Overland would assume the development and leasing risk, shielding YVHA. Mr. Beatty said that Overland would hire the contractor, ensure that the work is done properly and ensure that the project remains in compliance to protect the tax credits. Overland would also assist with the negotiations with the bank. Mr. Beatty said that YVHA would be a special limited partner and could manage the property. The ownership arrangement is yet to be determined. He said that the main question is whether YVHA is interested in developing this property for affordable housing. Mr. Gillam said that Overland wants to work with YVHA because it has the property, and the CHFA prefers projects that involve housing authorities. Mr. Beatty added that with YVHA as a partner, property taxes could be avoided, which would help the project to remain affordable.

Scott asked who would pay the \$1.9 million permanent loan (after the tax credits are sold). Mr. Beatty said that the loan would be paid by the project. He said that such loans typically have terms of at least 15 years with a 30 year amortization. Kathi suggested that the proposed construction schedule of nine months was unrealistic, particularly considering that there are no entitlements on the property at this time. Mr. Gillam stated that the timeframe of the planning process would need to be considered. Jason offered that it would be possible to get through planning in time for the 2016 construction season, but asked how this would fit into the tax credit application process. In response to a comment from Kathi, Mr. Gillam stated that the scoring system is threshold-based and most projects come in right at the threshold. He added that the Elk River Village project should score very well on the new scoring system that will be implemented soon.

John noted that the City may require the project to share in the cost of the redevelopment of the Elk River Road intersection. Mr. Gillam acknowledged that this was an issue, but noted that many of the fees that would normally have applied to the Crested Butte project were waived. He offered that many of the numbers in the pro-forma are fluid and that a certain amount of creativity is needed to make a project of this sort work. Kathi asked about the "outside funding." Mr. Beatty said that this would be the permanent loan. Scott offered that the outstanding loan would still exist, but there would be a 48-unit apartment complex on the property. Mr. Beatty said that since it would be assuming the risk, Overland would want some control, but this could be accomplished by an operating agreement or an ownership stake of just over 50%. YVHA would not be asked to put in any money. The rents from the property would be used to make the loan payments. YVHA would receive a small amount of cash flow, in addition to a management fee.

Catherine stated her support for taking the proposal to the bank. Doug stated that he would support an arrangement through which YVHA would manage the property, but expressed concern regarding YVHA involvement in the development. Mr. Beatty suggested that this type of project fits with the mission of YVHA. He offered to provide contact information for other housing authorities with which Overland has partnered. Mr. Gillam reiterated that Overland would assume the risk. In response to a question from Johnny, Mr. Gillam said that they would take the project through the planning process, with the assistance of Jason. Johnny expressed concern that the estimated construction costs were too low, particularly with the new energy codes. Mr. Gillam said that all of their projects are Energy Star rated. He said that the contractor they are working with has built several projects in Steamboat. Mr. Beatty noted that if the construction cost estimates are low, there are many ways to adjust the numbers elsewhere to make the project work financially. He said that they would not pursue the project unless they were certain that it would be successful.

Public Comment

Mr. Tres Holloway asked how the project could be considered necessary, given the difficulty in finding buyers for the units at Fox Creek. He said that while he recognizes that Fox Creek is an ownership property and the proposed Elk River Village property is a rental property, the proposed rents for the rental units are significantly less than his mortgage payments. Mr. Holloway suggested that there is not sufficient demand for the units and that the development would only make selling his unit more difficult. Mr. Gillam offered that someone who would be interested in purchasing a unit at Fox Creek Village would probably not qualify to rent the proposed units which are targeted at those making less than 60% AMI. He said that Overland's preliminary research indicates a demand for around 680 units at that level. Kathi asked Mr. Gillam to share that study with Jason.

Kathi asked what the waitlist is for rental units at Hillside Village. Kate said that there are about 7 families on the current waitlist for two-bedroom apartments. Jason noted that the average income level of tenants at Hillside is significantly lower than 60% of AMI. Kathi expressed concern with the ability to fully lease the proposed project. Catherine stated that it was worth looking at the demand study. Mr. Beatty said that it would be unusual for this type of development to compete with a USDA project. He noted that the tax credit program was developed to replace government-built housing, adding that nothing has been built in this area under the tax credit program in a very long time. Catherine stated that YVHA's mission is to pursue partners to develop community housing and encouraged YVHA to consider the proposal. John agreed.

In response to a question from John regarding maintenance costs, Mr. Gillam said that an all-in annual cost of \$5000/unit/year is built into the project. Mr. Gillam said that this number includes a \$250 – \$350/unit contribution toward a capital project reserve fund. He stated these amounts are all regulated by the state and the IRS. Mr. Beatty reviewed the checks and balances that govern the program and stated that such projects had been successful across the state and the country. Mr. Gillam stated that CHFA likes to see developers of tax credit projects partner with local housing authorities.

Jason offered that the question is whether the YVHA Board is interested enough to continue the conversation with Overland. If the answer is yes, would the Board allow him to meet with the bank, along with Mr. Gillam? He stated that the project has the potential of converting a \$400,000 investment into an \$8 million project that would benefit the community.

Doug expressed concern with the demand and said he would like to review the study. John stated that the demand for the units at this price point does not mean there is a sufficient number of people that would meet the qualifications. Kathi asked why Overland had chosen Steamboat. Mr. Beatty stated that no tax credit projects had been done in many years here and that CHFA prefers projects that address several problems at once, which the proposed project does. CHFA also prefers projects that include and benefit local housing authorities. Mr. Gillam reviewed the other elements of the project that fit well with CHFA's requirements.

Kathi said she would be willing to discuss the project with the bank prior to the next YVHA meeting. Mr. Gillam said that Overland would also like to be present at the meeting with the bank. Kathi expressed concern with the risk involved in a "special limited partnership." Mr. Beatty reviewed the means through which YVHA would be shielded from the risk. Jason offered that the risk is in not be able to fully lease the property to qualified tenants. Kathi reviewed the other elements of risk. Catherine reiterated her interest in looking deeper into the proposal. Doug agreed, but added that he did not see a benefit to YVHA. He acknowledged there would be a benefit in the project to the community. Mr. Gillam stated that it is extremely important for the City and YVHA to support the project. Mr. Beatty stated that the project could provide \$30,000 - \$40,000 in annual cash flow to be divided between the partners. He said that the purpose of the tax credit program is not to generate income, but rather to build housing.

Catherine emphasized the importance of doing all the necessary research before entering into any agreement, but urged YVHA to pursue the project. There were no objections from the YVHA Board to continuing the conversation with Overland. Mr. Gillam said that he would supply Jason with information regarding Overland's other housing authority partners.

Johnny left the meeting.

EN RE: HABITAT FOR HUMANITY MEMORANDUM OF UNDERSTANDING

MOTION

Catherine moved to table the consideration of authorization of a Memorandum of Understanding with Habitat for Humanity until the November YVHA meeting. John seconded the motion. **The motion carried unanimously.**

EN RE: RATIFICATION OF RESOLUTION 2014-007

Jason explained that there had been a discrepancy between the language of the motion to approve the resolution and the actual language of the loan documents as a result of Catherine's friendly amendment to add "up to..." prior to the statement of principal amount. He stated that Bob Weiss had requested a ratification of the resolution with the original language.

MOTION

Scott moved to ratify Resolution 2014-007 with the originally proposed language approving a loan from Alpine Bank in the principal amount of \$2,300,000. John seconded the motion. **The motion carried unanimously.**

EN RE: 2015 BUDGET WORKSHOP

Jason said that not much has changed in the budget since the last review. He said he had updated the Fish Creek fund to show the revenues from the state grants and the related expenditures. He stated he had also updated the amounts of principal and interest of the loans with the City and with Alpine Bank, resulting in a positive cash flow for 2015 of \$78,000. Jason said that the outstanding issues are the employee compensation and the payment toward the lease-purchase agreement for the Elk River Village property. He reviewed that if the money is appropriated in December with the approval of the 2015 budget, YVHA is locked into making the full annual payment of \$48,000. Jason said that the public hearing regarding the budget is scheduled for the regular YVHA meeting in November.

Jason stated that the current proposed budget includes a 2.9% one-time CPI/COL bonus to recognize inflation and a 5% raise in base salaries. He stated that this formula was based on a formula proposed by the City. Jason reviewed the bonuses and raises that had been awarded in the 2014 budget.

Catherine proposed budgeting an increase of up to 5% in employee compensation and leaving the decision on how to structure the raises to be determined. Kathi said that if the amount is budgeted, it will be paid. Doug stated his opposition to awarding merit-based raises to public employees. He reviewed the County's policy and said that the County would probably award a 2.9% CPI increase and step increases for longevity. Kathi stated her support for an overall increase of 3% - 4% with no one-time bonuses. She noted the importance of being good stewards of taxpayer money. Jason stated that the staff had been doing a great job. He said he would like to be able to demonstrate YVHA's appreciation. Catherine agreed and added the importance of benefits. Kathi offered that YVHA would never be able to fully compensate the staff at the level they deserve. Doug suggested a 2.9% raise in base salary with a 1.1% one-time bonus, for a total increase in budgeted compensation of 4%. He added that if funds are available at year-end, bonuses could be awarded for 2014. In response to a question from Scott, Jason reviewed Kate's salary and benefits.

MOTION

Kathi moved to include in the 2015 budget a 2.9% increase in base salaries and a 1.1% one-time bonus, for an overall increase of 4% in employee compensation and to include in the November agenda a discussion of possible merit bonuses to be awarded at the end of 2014. John seconded the motion. **The motion carried unanimously.**

Scott said that City Council had asked earmark on the DPA fund. Jason said that he had discussed the issue with Deb Hinsvark. He said that there is \$250,000 in the bank that YVHA has been unable to lend for two years. Jason said that it would be okay to eliminate the earmark as long as the money remains in the Community Housing Fund. The Board agreed.

Jason thanked the Board of County Commissioners for its decision to contribute \$80,000 to YVHA in 2015.

EN RE: CONSENT AGENDA

The following items were presented on the consent agenda:

- a. Review and approval of September 11, 2014 and September 29, 2014 minutes
- b. Review and approval of August 2014 financial statements

Kathi pulled the September 29, 2014 meeting minutes off the consent agenda

MOTION

Catherine moved to approve the minutes of the September 11, 2014 YVHA meeting and the August 2014 financial statements, as written. Doug seconded the motion. **The motion carried 5 – 0, with the Chair voting yes.**

Kathi stated that Patrick Welsh had formally resigned his position on the YVHA Board and should be removed from the list of members absent at the September 29th meeting.

MOTION

Doug moved to approve the September 29, 2014 meeting minutes, as amended. Catherine seconded; **the motion 5 – 0, with the Chair voting yes.**

EN RE: STAFF REPORTS

Fish Creek Mobile Home Park

Jason thanked all involved in getting the loans with the City and Alpine Bank completed. He noted that Adonna Allen (sp?) had been very instrumental in the process. He said that they are moving ahead with the Water & Power Authority and the CDPHE. The required public hearing to review the project is scheduled for November 13, 2014 YVHA meeting. An on-site meeting will also be held, perhaps later in October.

Fox Creek Village

Jason reported that he had met with the Board of the homeowners' association regarding the rental policy. He said that many owners had attended, most of whom expressed opposition to renters. Jason said he had reviewed means through which YVHA could assist with a new rental policy, but noted that it would be very difficult to enforce the existing rental policy. He reviewed the existing policy. He suggested that YVHA invite owners to a forum to discuss the policy. Catherine suggested that Jason contact CHFA to ask how other communities have handled similar deed restriction issues.

City Housing Policy

Jason reported that the affordable housing development team had been looking at the Overlook Park property and doing a pro forma analysis to determine the obstacles to private developer-built affordable housing. He noted that the Elk River Road intersection is a major difficulty, along with the dual access requirement. Jason offered that there is no magic bullet to solve the problem through regulatory or fee changes; only small incremental improvements seem to be available. He said that the current City Council is more interested in regulatory changes than exactions from developers.

EN RE: OTHER BUSINESS

Catherine requested that the offsets in accounts receivable should be reconciled prior to year-end.

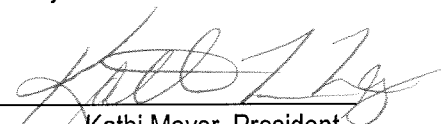
EN RE: ADJOURNMENT

Catherine moved to adjourn the regular meeting of the Housing Authority. Scott 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