YAMPA VALLEY HOUSING AUTHORITY BOARD MEETING
June 14, 2012

Rich Lowe, 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: Nancy Stahoviak, Catherine Carson, Kristi Brown, Kathi Meyer, Trish Sullivan, Scott Myller, Squeak Melehes, John Spezia, and Johnny Sawyer.

Others present: George Krawzoff, Yampa Valley Housing Authority Executive Director; Tracey Lucas, Sunray Homeowner; Gavin Malia and Brent Pearson, Resort Ventures West;, and Tom Ross, Steamboat Today. Dee Bolton recorded the meeting and prepared the minutes.

EN RE: AGENDA CHANGE

Rich recommended that Items 1 and 2 on this day's agenda be switched since Item 1 would require lengthy discussion and there was someone in the audience who wanted to make a public comment.

EN RE: PUBLIC COMMENT

Ms. Lucas said that she had modified her loan but still faced foreclosure. She asked for relief of her deed restriction in the hope that she could forestall foreclosure which would eliminate the deed restriction anyway.

Catherine asked what the deed restriction on the property entailed. Ms. Lucas replied that the potential buyer would have to work in Steamboat Springs and qualify for low income status; the latter restriction was the hardship. Kathi asked whether the deed restriction was the only impediment or whether the market was an issue. George stated that the market was an issue as well. Ms. Lucas said that another Sunray unit that had restricted views but otherwise was identical to her unit except that it had no deed restriction had recently sold at market rate for $355,000.

Catherine asked whether the property would sell if the restriction were only to sell to someone who lived and worked in Routt County. Rich responded that the question could not be resolved at this juncture: The Board should discuss the request and develop a policy.

Nancy asked whether the issue was one for the City to resolve. Rich thought that the City would ask the Housing Authority what it wanted to do. Nancy suggested that George discuss the question with Tyler Gibbs. She noted that when the subject unit was originally sold, it received a discount of $78,900 off the sale price, which was the reason Tyler and George should make a recommendation to the Housing Authority as well as City Council. George said that the City had already made a clear determination, but since the property was currently slated for foreclosure, the circumstances were different. He would revisit the issue with Tyler in light of recent developments.

EN RE: TAX INCENTIVES / BRENT PEARSON AND GAVIN MALIA

Rich said that the New Projects Committee met with Resort Ventures West partners Brent and Gavin on June 8th to discuss tax-benefitted low income rental housing opportunities in Steamboat Springs. The Committee thought that the full Board should be provided the information shared so as to decide whether to direct staff to pursue the opportunity to receive tax benefits through federal programs for construction of affordable rental housing.

Brent said that he and Gavin had learned of the opportunity almost a month ago. The concept was that opportunities for affordable rentals were provided to a community. He and Gavin had provided affordable home ownership opportunities with First Tracks at Wildhorse Meadows for the past six years. Other land had been released for market opportunities, but market housing built at a replacement value was not feasible at present. He thought that the Housing Authority had investigated the tax credit concept in the past but it had not worked due to, among other factors, markets as well as the value of the tax credit. He thought that the market at that time was too low to create a high enough leverage on the project to warrant lowering the rental rates. Front Range investors had visited with Resort Ventures West and came to Steamboat to identify potential locations for projects to provide rental housing for 60%-AMI individuals. Requirements included that a project had to be approved and shovel-ready; that a population base in need of affordable rental housing existed in the area; that the location ensure a year-round 90% occupancy; that the units had to be of a certain size and mix, and that the location was a place that the investors wanted to go. The competition on the Front Range for such tax-credit projects was fierce so allocations were decreasing. The investors viewed Steamboat as a unique market so they contacted Resort Ventures West to inquire about potential locations since they were aware of the First Tracks project. Although an earlier project had lost $4.5 million, a new project had the potential of being a win-win. He and Gavin were still compiling data and analyzing them, but an aspect of such a project was that it be in conjunction with a selected area's housing authority or other entity. The project created value and rented at a low level by creating a dollar-for-dollar reduction in taxes for the individual owner. Allocations came from the federal government and were distributed to each state. Typically the issue was finding markets in which to sell such housing in large quantities. The individuals with whom Resort Ventures West worked had direct access to large institutions that buy for set prices. The investors would sell the tax credits, which would in effect bring pure equity to the project. By the end of the project, almost 90% equity and a 10% loan on the project would result. For example, if a project cost $10 million to build, typically the loan for the project would be between $2 and $3 million. The tax credit project would result in a low level of debt and a high level of equity, which reduced the carrying costs substantially and in turn allowed the reduction of rental rates that the 60%-AMI population could afford. The calculation as to the way in which the credits were built was extremely complex, but a 60-unit project was optimal. At present, Resort Ventures West had a 49-unit project that might meet the criteria.

Brent said that the process started with a developer buying the land and developing the property. The developer also guaranteed a construction loan for a 12-15-month period that included a trailing period in which the property's rentals were filled. Then the construction loan would be converted to a long-term loan. Typically the developer would be responsible for construction and the trailing responsibility and partner with an entity like the Housing Authority, which would manage the property directly, fulfill the verification of qualifications of applicants, and administer the terminal loan that would be backed by a housing authority, a municipality, or a county, based on the occupancy of the property. If a project had 90% occupancy, the loan would be covered; if occupancy were, for example, 70%, the authority would be responsible for the shortfall. Depending on the project, the authority/entity would have between 15% and 20% leverage rather than 50-70% leverage. His company was in the initial research stage. If everything came together, Resort Ventures West would apply for an allocation in March, 2013. He had spoken with the Housing Authority's Executive Committee and was presenting an overview to the full Board this day.

Catherine said that a unique aspect of the proposal was that the Housing Authority's loan would be small. Also, the Housing Authority would be partnering with people who had a proven track record. A challenge for the First Tracks project had been selling the studio units. However, a rental market would be advantageous, and the mix would be preferable. She thought such a project could be a great opportunity for the community and the Housing Authority.

Squeak asked about ownership. Brent replied that the percentages could be worked through in a number of ways. It would be a joint venture since the investors would provide 80% of the equity. Squeak said that the 20% that the Housing Authority would receive would not generate enough cash flow. Brent explained that investors, which were usually institutions or banks, would get benefit from the Community Reinvestment Act and returns from the dollar-for-dollar tax credit. He said that Resort Ventures would probably not participate in a project's development. With the this project, the benefits would be that the land was sold and that other land that the company owned would have more vitality. The major advantage for his company was land sales. The tax credit program appeared to be a development opportunity, and few other opportunities were available at present. Gavin added that investors were currently paying $.90-95 on the dollar for the tax credits; their returns would come from the 10% investment at $.90. Investors would not take a percentage of the rent payments. Medici was the company with which Resort Ventures had spoken. The company had been an affordable housing developer on the Front Range for many years and specialized in tax-credit projects.

John commented that the profit was predicated on the percentage being in the 90s.

Kathi asked whether land would be sold at market rate. Brent said that it would. Kathi asked whether Resort Ventures would be willing to take its returns from the back of a deal. Brent said that his company would not.

Kathi said that the program had not worked in the past due to the development fee. She was concerned that the Housing Authority would be assuming additional debt and be responsible for the market. She was uncertain whether the arrangement would work since it had not been an avenue taken by the Housing Authority in the past. Catherine thought that the difference in the Elk River property and the present proposal was that the joint venture piece was only through construction, after which the Housing Authority would retain ownership. Thus it would bring a debt-asset ratio that would be positive if the tax credits were in the 90s. Brent said that it would be a joint venture between the two entities, which involved ownership that could be accomplished in several ways.

Gavin said that the tax credits were over a ten-year period so the investors would want to be involved in the partnership for that period. Once the ten years had elapsed, a two-year liability was in place to audit and ensure that every renter was a qualified one. After that period, the lender was not involved.

Kathi asked whether such a project would compete with other projects in the area that had a tax credit structure. She stated that the direction was rentals and generating profit. She was concerned about the interim period when the Housing Authority would take on additional risk. She was unsure whether the Housing Authority would want to be a middle partner.

Squeak said that hard documentation that the percentage would be in the 90s was essential. He did not think that the Housing Authority could take such a risk. Catherine recollected that previously 82-85% had been needed to make the project work, but the rate had dropped to 70% so the Housing Authority could not do the project. She noted that the tax credit allocation process was highly competitive: They were funded by the federal government, and the project had to complete a needs analysis to ensure that the mix and the price ranges reflected the needs of the community. So the steps and checks were extensive. She thought that researching the numbers was warranted because she viewed the proposal as an opportunity.

Kathi asked the role that the Archdiocese would play. Gavin responded that it had expert professionals on staff and it serviced the target market. It also wanted to partner with another entity in the market to do the project. The Archdiocese would provide expertise on applications.

Trish noted that The Ponds always had a waiting list for one-bedroom units. Occupancy was lower in the summer—currently at 60%. George said that generally, two-bedroom units were popular; one-bedroom units could always be filled.

Kathi said that the next step should be a pro forma, even before the market study. Brent said that Resort Ventures would sell the land first. Then, since the developer had no local contacts, Resort Ventures might manage the contractors, but at present the extent of that role was unknown.

Rich said that the potential opportunity had been presented to the Board. Further information was needed and calculations needed to be made. George added that initially the proposal was for an application to be submitted this year. Planning a potential application for next year allowed time to investigate the opportunity thoroughly through the New Projects Committee. The Board concurred and George was directed to continue to gather information on this project and vet it through the New Projects Committee.

Rich thanked Brent and Gavin for their time and information. Brent and Gavin exited the meeting at this time.

EN RE: FINANCIAL CONNECTIONS WITH THE CITY OF STEAMBOAT SPRINGS

UPDATE

Rich stated that during previous Board meetings, the fact that the City had a $250,000 City-County Housing Fund to provide low-income housing for the community had been discussed. The funds had not been used, and the Board had wondered whether the Housing Authority could access them. Housing Authority funds had been allocated for engineering fees for the Fish Creek Mobile Home Park sewer and water line replacement project, but funds for completion of the project had not. Since the mobile home park was an existing asset and the water and sewer lines could present a major problem, the suggestion had been made that those City-County funds be used for that project rather than the purchase of distressed properties. He and George had discussed the use of the funds for the water line replacement project with the City; the Finance Director had responded positively to the idea. He was unsure whether funds from the City would be in the form of a loan or from those allocated funds.

Nancy, as the County representative on the Housing Authority Board, thought that the funds should be given to the Housing Authority. Scott said that the City Council would have to agree that the tax-dollar funds that had been taken out of past budgets should be given to the Housing Authority.

Rich said that the Board should discuss whether to use the funds for the water and sewer project or for the purchase of distressed properties.

Scott said that the City's engineering fees for the Fish Creek project were approximately $60,000 and that current cash available for the project was approximately $70,000. The design was for the entire project but could be phased into five phases of approximately $100,000-$125,000 each. Thus, the housing fund funds could pay for two phases of the Fish Creek project. Fish Creek earned approximately $35,000 per year, so every three years another phase of the replacement project could be completed on a cash basis. If the construction were more than $650,000, that plan would not be feasible. He believed that the City was willing to extend the note indefinitely with no interest accrued.

George said that the Finance Director was positive about the Housing Authority's need, and the City supported the Housing Authority. She was concerned about paying down the debt and thought that an amortization schedule might be the best financial decision. In regard to the purchase of distressed properties, he thought that the Housing Authority's debt should be reduced prior to any such purchases. The Fish Creek project was desperately needed and within a cost that would allow beginning to address the issue. An event rather than a schedule would trigger repayment of the note with the City.

Catherine noted that when the infrastructure actually broke, replacement would cost more. The USDA loan would have been to complete the project, but the loan repayment would be more than the Fish Creek residents could afford so the phasing idea was broached.

Rich agreed that the purchase of distressed properties was a great idea, but given the Fish Creek situation, that project might be the best use of the community housing funds.

Kristi thought that the funds were significant and should be used to leverage additional funds through grants. Another option was to negotiate a $270,000 write-off of the Housing

Authority's note with the bank so as to render the property more developable. She thought that all options for optimal value should be examined. George thought that using the funds for Fish Creek project grant leverage was a good option.

John asked whether the Housing Authority could approach the Denver investors, since the Housing Authority had land for a rental project. In conjunction, the $250,000 could potentially be used for such a project. Catherine thought that the Elk River property was not in a good location for family rental properties.

Rich asked whether the City would want an account of the manner in which the funds were spent. He opined that the City would probably not support the use of the funds as a loan pay-down.

Squeak said that the Fish Creek water and sewer lines were probably in such bad condition that funds and time expended would be used quickly.

Kathi said that the Housing Authority owned Fish Creek, and as an asset, it should be taken care of. She offered that some of the funds could be expended on that project and other funds could be used for another project. John agreed that funds could be used for more than one project.

Johnny liked the idea of exploring available grants and leveraging funds for that. He agreed that present assets should be taken care of. George concurred that leveraging grant funds was a good possibility.

Nancy stated that the topic should be discussed at a joint City-County meeting in the Fall, after additional information had been obtained.

EN RE: CONSENT AGENDA

The following items were presented for approval and signing on the consent agenda:

1. The minutes of the Housing Authority's Board meeting of May 10, 2012;
2. The May 31, 2012 Financial Statements;
3. The Right of First Refusal letter for Charley Phelan, Hilltop Parkway, Unit C;
4. The Right of First Refusal letter for Brandon Piersol, Sunray Meadows, Unit 1504;
5. Resolution 2012-004, A Resolution Authorizing the President and Other Appropriate Officers of the Yampa Valley Housing Authority to Execute Documents Regarding the Extension of the Sierra View Loan with Millennium Bank, and
6. Resolution 2012-005, a resolution to authorize engineering services for the Fish Creek Mobile Home Park project.

Rich asked whether anyone wished to remove for discussion any of the items on the consent agenda. Catherine requested that Items 2 and 5 be removed for further discussion.

MOTION

Kristi moved to approve and authorize the President to sign the remaining documents pertinent to the consent agenda. Kathi seconded; the motion carried unanimously.

ITEM 2, FINANCIAL STATEMENTS THROUGH MAY 31, 2012

George said that the financial statements were wrong so could not be approved. He explained that the negative $29,000 in the accounts receivable was a holding account for any payment that had not been applied to a specific invoice. Those payments would be applied in June and reduce that amount to $713 or less.

Catherine stated that the financials had other problems. She felt that the fact that the Board had not approved April's financials was irresponsible. She asserted that the Housing Authority should not move forward on any projects until the financial statements were rectified. She felt that George was doing a great job on the Fish Creek and Elk River issues, but that left little time for the tedious day-to-day bookkeeping tasks. She recommended that the Executive Committee, the Finance Committee, and George set a firm date by which the April and May financials would be balanced. She asked whether hiring a bookkeeper was the solution. She said that maintaining the current status of Hillside Village and Fish Creek was imperative.

George explained that one problem was two computer systems: the USDA/Hillside accounts and Caselle, which also tracked Hillside payments. Plus a database tracked payments. The first two systems needed to agree, and they did not. He said that Caselle was helpful when he called for support, but obtaining assistance was time-consuming and sometimes took up to two days for Caselle to respond.

Catherine thought that Kate entered data into the USDA system and that George then entered it into Caselle. She said that double-entry account was difficult if not fully understood. She stated that if the problem has been ongoing since January, rectification should take priority over any other task that George could perform because the basic cash-flow responsibilities should be current and accurate. She stated that other duties should be taken away until George reconciled the accounts or someone should be hired to balance them. Rich agreed that the financial statement issue needed to be resolved.

Kristi stated that the system took time to learn.

Kathi asked whether time, assistance, or training were needed. She noted that the Finance Committee met the following day. Nancy agreed that George should discuss the issues with the Finance Committee. Rich and Johnny concurred.

George said that the goal would be to have only one accounting system. Rich stated that that was not an option.

Rich stated that approval of the financials would be tabled.

ITEM 6, PAYMENT FOR ENGINEERING SERVICES RESOLUTION

Catherine said that if the engineering aspect of the Fish Creek project were to go forward without having decided how to pay for the construction phase of the project, a risk existed that the Housing Authority might not be able to pay for the construction. Nancy pointed out that the engineering of the project would not change, regardless of when construction was accomplished.

Scott thought that some of the assumptions related to the project should be clarified. If the project cost were $1 million, where the funds would come from had to be determined. If the project were $650,000 and already half completed, it would be easier to go forward. The distinctions would be that Scott would be the lead and that the costs would be defined such that the Housing Authority could afford the first phase. In regard to the latter, he recommended that a community development block grant be discussed with Winnie DellaQuadri and that the engineer clarify the cost estimate. Kathi suggested that that clarification be accomplished before spending was authorized. Nancy said that the project had to be done; the engineering had to be done; the engineering would not change regardless of when construction occurred, and if grants were applied for, the grantor would want to know the engineering aspect.

MOTION

Kristi moved to adopt and authorize the President to sign Resolution 2012-005, A Resolution Authorizing the President and Other Appropriate Officers of the Yampa Valley Housing Authority to Execute Documents Provision of Engineering Services for the Water and Sewer Reconstruction in Fish Creek Mobile Home Park, contingent on the stipulation that moving forward with the project did not distract the Executive Director from work on the Housing Authority's financial statements.

Johnny seconded; the motion carried unanimously.

EN RE: YAMPA VALLEY HOUSING AUTHORITY STAFF REPORTS

George said that Kate had initiated the Go-Alpine event at Hillside Village, which generated good publicity.

All other updates were included in the staff report in this day's agenda packet.

Catherine asked whether the resident of Fish Creek Mobile Home Park had a grandfather clause regarding resident occupancy. George explained that the resident signed the same lease as everyone else including the RO requirement. He had found no record that a grandfathering was agreed upon but, upon calling former Director Mary Alice Page-Allen, found that a grandfather agreement existed on a "hand shake." Mary Alice had asked all of the people originally there to sign the same lease. Some had refused due to the owner-occupied clause. The resident relied on the hand shake agreement and had signed the lease. George also noted that our leases allow short-term rentals of the mobile homes for fourteen days or less without affecting a residence's owner-occupied status.Catherine thought that Mary Alice had agreed that the person did not have to live at the Park year-round, which was different than a sub-lease. George said that we should draft an agreement that memorializes the special agreement with this grandfathered tenant. Kristi agreed and said that what Mary Alice agreed to should be confirmed.

Nancy asked whether Blue was updating the database. George stated that he was confused about whose responsibility that was. He thought that John Eastman had a contract to maintain the database. The down-payment assistance program was an issue: It listed 150 people; payments were being received for fourteen. Catherine said that the database listed the down-payment assistance participants as well as the needs of individual family units.

Rich said that updating the database was not a priority at this time.

Nancy noted that Jennifer Robbins was resigning her seat on the Housing Authority Board; her term would expire December 31, 2012. Nancy advised George to contact the City so that the City could advertise the vacant seat and later arrange interviews with the City Council and the County Commissioners. She recommended that the advertisement for letters of interest would be to serve for the balance of the current term as well as a full three-year term, beginning January 1, 2013.

EN RE: UPCOMING MONTHLY COMMITTEE MEETINGS

Dates and times for the next committee meetings were listed on this day's agenda.

EN RE: ADJOURNMENT

Rich declared the Housing Authority meeting adjourned at 2:00 p.m.

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

Dee Bolton, Minute Taker

Rich Lowe, President