YAMPA VALLEY HOUSING AUTHORITY BOARD MEETING
July 12, 2012

Rich Lowe, Yampa Valley Housing Authority Board President, called the regular monthly meeting of the Yampa Valley Housing Authority to order at 12: 10 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; Ed MacArthur, Bob Schneider, and Tina Kyprios, citizens, and Steve Dawes, Mountain West Business Park. Tyler Gibbs, City Planning, joined the meeting after it had begun.

EN RE: AGENDA CHANGE

Rich said that he wished to make changes to the order of business as scheduled on this day's agenda: Public Comment would occur first, then Strategic Topics, then the Performance Review would occur.

EN RE: PUBLIC COMMENT

Rich called for public comment. None was forthcoming. Rich closed public comment.

EN RE: STRATEGIC TOPICS: ELK RIVER VILLAGE PARCEL

Mr. Schneider said that he had followed affordable housing for several years. He had expressed interest in becoming a member of the Housing Authority Board, but he was unavailable during the winter months so had not been appointed. He stated that he and Mr. Dawes were present to discuss a possible partnership with the Housing Authority in regard to the Housing Authority's Elk River property.

George said that at the last Housing Authority Board meeting, he had been asked to review the financial statements pertaining to Elk River Village to determine the amount spent to date. He believed that what he would present was a complete picture, with the possible exception of the down-payment, which might have been accounted for in his calculation but might not have. The net result was that $550,000 had been spent on interest, and $22,000 had been applied to the principal on the loan for the purchase of the property. Hence, it would take a long time to pay the outstanding balance of $2 million with the current 30-year amortization schedule. He asserted that addressing the issue was the most critical task facing the Housing Authority because it essentially absorbed all of the Housing Authority's cash resources.

George said that two offers on the parcel had recently been received. One offer was from John McParland and was in the form of a real estate contract that purported to make a $1.5 million offer that was encumbered by a host of conditions that were complex and not within the Housing Authority's ability to grant. The offer included the Housing Authority sharing in the cost of installing certain infrastructure such as creating an entrance to the property and bringing the road to the property. The offer also included the Housing Authority's facilitation of City action including deferral of permit fees and moderating or eliminating certain City criteria, to which the Housing Authority could not agree. Another stipulation would render the contract null and void if a certain percentage of pre-sales did not occur. He opined that if someone were purchasing the property, the Housing Authority should not have anything to do with pre-sales. Thus, although the offer was in the form of a real estate contract, it actually was in the form of a joint venture. George thought that the Housing Authority's response should be to request a purely cash offer that placed a value on those options and conditions and eliminated them so that the cash offer would be clear, or, alternatively, to clearly present a joint venture partnership proposal. The bank appreciated that the Housing Authority had notified it of the offer but considered it unlikely to be signed in its present condition due to the number and complexity of the terms and conditions therein. George had had no response from Mr. McParland since his request for a cash offer. The other offer was from the Drake Real Estate Corporation. The first offer was to buy Lot 1, which was three of the property's 10.7 acres, for $500,000. When George had said that that would not work, they had offered to buy four acres for $600,000. George thought both offers were untenable given the balance owed and the land being more valuable than that. Rich added that Mr. McParland had been asked what he would pay for the entire parcel. No response had been received to date. George said that a realtor handling the property should advertise it aggressively.

Nancy noted that the recommendation of the Finance Committee had been to ask a person knowledgeable in marketing and sales of commercial properties to attend this day's meeting. George apologized for not having made those arrangements.

Rich said that the potential of walking away from the property had been proposed as an option at the last Finance Committee meeting. He thought that the preferred strategy would be to advise the bank of any offer proffered and ask whether the bank could somehow work with the Housing Authority on the basis of such an offer.

John noted that the Housing Authority's pursuit of the tax credit program might be a viable alternative. Rich agreed but explained that a concern was whether the property was suitable for affordable housing.

Nancy said that the first consideration on which the Board should reach consensus was whether it believed that, under certain conditions, the property was in the right location for the development of affordable housing because some Board members thought that it was not.

Catherine requested a summary of the history of the Housing Authority's purchase of the Elk River property. Kathi said that the Housing Authority purchased the Fox Creek property in 2006 and proceeded to build and sell 30 units from which $500,000 had been earned. At that time, very few pieces of land were for sale. A partnership had been going through the City process to try to get a combination of residential and mixed use approved. She and a former Board member had met with them and asked whether they would be willing to sell the entire parcel. That was the way in which the purchase had evolved: The Housing Authority had been looking for its next project, and land was scarce. In 2008, the market crashed; demand diminished, and the housing authority was not able to get financing to build the project.

John added that the Housing Authority was considering the construction of 67 units on the property, 12 of which would be single-family residences sold at market value to partially subsidize the other 55 units that would be a mix of single-family units and duplexes. The lay-out had been designed, fit well on the contours of the land, and contained open space and playgrounds. The cost per duplex unit would have been $30,000, and single-family units would have been between $130,000 and $150,000. When the utilities, etc. were considered, it appeared that one-, two-, and three-bedroom single-family units were feasibly priced. Kathi noted that the City had given entitlements for that project. Rich stated that the purchase was probably the right decision at the time, since no one knew that the economy would plummet, but the question as to whether the property was the right place for such a project still remained. Since at present more properties were available and traffic, children, and safety were a consideration, he thought that the Elk River property was more suitable for an industrial park. He asked Board members to express their opinions on the matter.

Scott said that he had supported the purchase and the proposed project because little land had been available elsewhere for such a project, but he continued to believe that the property was wrong for residential units and to hope that the land could be sold.

John said that he thought the property was not that bad; the back was protected from the Copper Ridge development by a hill, and the road protected the property from some of the surrounding development. The property had been first zoned Industrial then changed to Light Industrial. It was on the bus route; it had water and sewer, and it would provide infill near town, which would reduce traffic as well as reduce travel expenses, which in turn would enhance affordability, and other condominium complexes were nearby. A great advantage was that the Housing Authority owned the land, particularly if the tax credit program were workable. He advocated further research on the tax credit program, and a re-evaluation if that did not work.

Squeak did not think that the Housing Authority was in a financial position to develop anything, even if the land were owned free and clear.

Kristi believed that opportunities with neighboring landowners to do something together were possible. She opined that the $2 million price tag was unattractive for development. She also thought that the bank should be contacted to request a new evaluation of the property because if the property could be reduced to its actual value/the loan balance, it might work—with partners. If not, the property should be dumped. She thought the first step would be to talk with the bank.

Ed said that any option with a partner should be explored. All potential partners, i.e. landowners around the property, a partnership with tax credits, a partnership with the bank, should be invited to a Board meeting to discuss their interest. He had never believed that the property was a great location for homes, but he thought that no willing buyer would get the Housing Authority out of its current situation.

Catherine said that she respected the Housing Authority's decision to purchase the Elk River property. She said that First Tracks was the only affordable housing opportunity that had arisen in town. She agreed that all options should be explored: The tax credits program should be compared other projects, because affordable apartments appeared to be advantageous in that area. She felt that additional information regarding the potential for commercial land in the west of town for commercial, residential, or mixed use was needed. She said that Mitch should be invited to a Board meeting as well as other landowners in the area to get a sense of the potential for commercial land. Yampa Valley Data Partners had advised her the previous day that the housing market was stabilizing. That organization within the next quarter would study commercial properties. Hence, she needed more information before deciding whether the property was best suited for commercial use and the Housing Authority should simply cut its losses, or whether it should be regarded as an opportunity for residential development.

Kathi agreed with Squeak that the Housing Authority was in no position to invest further so either a joint-venture partner with or without a tax credit arrangement needed to be found. She was encouraged that activity was occurring, but neither of the proposals was a viable offer, and people had to believe that west of town was 'a happening place'. She stated that the Overlook parcel recently sold to Yampa Valley Electric, and the TIC industrial building was for sale, which indicated that activity was occurring. She was unwilling to give up at present; she wanted to keep exploring all opportunities and give it more time before deeming it an unviable option because the economy seemed to be improving.

Nancy said that even though the loan with the bank was amortized for thirty years, it was a two-year loan with a balloon payment. The Housing Authority had set a deadline so as not to pay the loan for thirty years. The bank had subsequently agreed to allow the Housing Authority to make payments for an additional two years, then the balance would be due. That extension was for the remainder of 2012 and all of 2013. She agreed that all options should continue to be investigated. She understood the comments that questioned the appropriateness of the location for affordable housing, but since land was difficult to find, other options should be pursued. For example, whether someone had property more amenable for affordable housing and was willing to trade for the Elk River property. She felt that considerable time had been spent trying to find a partner with whom to develop the property. She agreed that the Housing Authority could afford no further investment in the property, although all opportunities and options should continue to be considered along with the Housing Authority's capacity to participate in such options. She thought that the most critical components were to move forward with an updated appraisal to establish the true value of the property and to obtain more information on what was moving and how, particularly in regard to vacant land, because commercial land was different from vacant land that might or might not be zoned Commercial. She stated that since the contract with the realtor was expiring, the Board also needed to discuss whether the present realtor was the right one to market the property aggressively and to sell commercial property.

Trish stated that she did not consider the location of the property as ideally suited for residences, but it was there, and the Housing Authority already had it. She was not ready to give up on the property because she thought that options such as partnering and tax credits were feasible, but she also agreed that the property should be marketed aggressively.

Johnny said that the Housing Authority already had the property so other options should continue to be explored. He agreed that a new appraisal was the first step, then seeking another realtor should occur—one who might be more regional as well as local so as to expand the potential market. He said that a few months ago, a survey of available land had been performed, and land to the west of town was still available. Also, the bus corridor was in the vicinity, and having affordable housing on the bus route was an asset. Thus, he felt that a project could work with the right partner, but he agreed that the Housing Authority had no more money to invest. If a partner were not found, then the property should be sold.

John said that the property was purchased with the intent of selling lots/units. Since then, a new perspective had evolved that the rental market was more viable in the downturned economy.

Rich said that Board members were split: The Board had consensus that if the right partner were found and tax credits were an option, and the Housing Authority had to make no further monetary investment, the Housing Authority should do that. If not, the vote was one more to not develop the property than the number voting to develop the property. He was not interested in the idea of walking away from the bank loan. Personally, he could not support that option, but as the Housing Authority moved forward, that was an issue to consider. He explained that the property was listed at $1.5 million; a year ago, the property had appraised for $1.5 million.

Catherine asked Mr. Dawes if he had any insights. Mr. Dawes said that his company's property was for sale. His company supported the vision of the Housing Authority and recognized the need for affordable housing, but he had often questioned whether the Elk River property were the best site for affordable housing since it was in a heavy commercial and industrial area. What was available when it was purchased and what was available at present might be different. He thought that the tax credit option or the swap were great ideas, but undoubtedly the Housing Authority was 'under water' just as his company was.

Rich asked Board members to comment on opting out of the bank loan. Squeak stated that he could not ethically support defaulting on the loan. Nancy asked whether anyone would support an outright default. Kristi said that the Housing Authority owed $2 million on a property perhaps worth only $1 million. If the bank were unwilling to forgive the loan, she would favor defaulting.

Nancy asked whether the Housing Authority should this day discuss accepting an offer or wait until an offer had been received to discuss acceptance. Kristi said that ideally the Housing Authority should wait for a buyer, then discuss a short sale. However, with no buyer forthcoming before the balloon payment was due, she could not advocate waiting any longer: The property had been on the market for an extended period; the debt was $2 million, and even marketing it at $1.5 million had generated no real offer. If the bank would do a new appraisal and allow the property to be marketed at that value, she would support that. If there were no interest soon, since the Board was not thrilled with the property and more was owed than it was worth, nothing could realistically be done with the property except hold it and pay for it. The Housing Authority was funded by the taxpayers and the City and the County and it should be fiscally responsible. The Housing Authority was not using public funds in the manner intended when an inordinate amount of interest was being paid on an over-valued property.

Rich asked for a show of hands for those who agreed with Kristi's perspective. The consensus was expressed verbally that Board members were not ready to support that course of action at present. Catherine said that more information was needed, and the ramifications in the future of default would be negative when a new loan was sought. Squeak stated that a legitimate offer was necessary. At that time, regardless of the amount of the offer, that was the time to negotiate with the bank for a short sale. In the interim, proposals from real estate firms willing to market the property aggressively should be solicited.

Rich summarized: An updated appraisal would be obtained; the appraisal would be discussed by the Board, and the Housing Authority would wait for a legitimate offer to discuss the issue further. Meanwhile, a new realtor would be researched.

Kristi said that the Housing Authority should also find out from its attorney what the repercussions of default would be for the Housing Authority's other properties.

Kathi stated that in her experience as a lender, the bank would act when a legitimate offer was proffered. She opposed defaulting because the Housing Authority would never be able to borrow locally again. She said that the actions summarized by Rich should be taken before any others.

Mr. Dawes, Mr. MacArthur, and Mr. Schneider exited the meeting at this time.

EN RE: SUNRAY MEADOWS / TYLER GIBBS

UPDATE

Tyler said that the Sunray Meadows situation had been difficult: A number of owners were deed-restricted and had asked for relief. The City had for a while been unwilling to consider any request for relief because the owners had purchased the units at significant discounts, and to simply remove the deed restrictions would be unfair to their neighbors who paid market price. However, in the current situation, a homeowner had been transferred and had to dispose of his property, and defaulting would not benefit the City or the neighbors. The proposal that the City had agreed upon was that it would replace the deed restriction with a lien of 11% of the initial subsidy to be repaid to the City upon sale of the condominium, contingent on funds being available at the closing, which was dubious. A similar arrangement had been made with another Sunray unit that was released from its deed restriction. The objective was to keep the unit out of foreclosure, which did not benefit the City or the neighboring properties. Several other owners who had asked for relief would be offered a similar proposal that included a pay-back of a percentage of the subsidy in the amount possible, depending on the proceeds from the sale.

George explained that he had been discussing the situation with the City over the past few weeks and had expressed his sentiments in a letter to the City Council dated July 2, 2012.

Catherine asked whether the deed restrictions were based on having work in the County or on income. George said that the Sunray units had resale caps and people were able to buy them at a certain percentage of their income. Catherine asked whether deed restrictions could be based solely on people working and living in Routt County with no requirement as to income. Tyler replied that the issue and possible solutions had been discussed extensively and it had been determined that any deed restriction was difficult to market. The discount received had been discounted, but even that had been unacceptable to the current owner. Scott added that the problem was the amount that was still owed. Tyler said that the issue was compounded by the fact that every Sunray unit owner had received a different subsidy, all based on original purchasing ability. The City felt that at this point, since several owners had requested relief, everyone needed to be offered a relief route, even if owners did not want to take advantage of it. Every owner had received a discount/subsidy of between $80,000 and $113,500. The present owner had received $113,500 so would owe at sale $12,485, or whatever was available, which in the current market could be nothing. The same formula would be used in the future; there was no way to recoup the subsidy. The proceeds, if any, would go to the City; he was simply informing the Housing Authority of the action taken as a courtesy.

Catherine said that the goal was to keep properties available to working families. She asked whether the units could be sold with no income restrictions. Tyler answered that any form of deed restriction at all rendered a unit difficult to sell. Rich explained that banks would not lend money to buy deed-restricted condominiums. George said that he had learned that resident-occupied deed restrictions were the most difficult to enforce. The Vail housing authority had resolved that situation by acting as an intermediary for the sale of every deed-restricted unit. That system could not be imposed on current deed-restricted units but could be a way to transact sales in the future. Tyler said that a system for the future needed to anticipate potential market cycles and to work more broadly across the community because at present there were so many different projects and formulas that unraveling them individually was a challenge. Scott added that to provide a $150,000 subsidy to buy a $300,000 property was probably not the right move.

Rich thanked Tyler for the information. Tyler and Ms. Kyprios exited the meeting at this time.

EN RE: PERFORMANCE REVIEW

Rich requested that the Board enter executive session to conduct a performance review of the Executive Director.

MOTION

At 1:11 p.m., Kathi moved to enter executive session pursuant to C. R. S. 24-6-402(4)(f)(I), to discuss personnel matters; included in the executive session would be the Housing Authority Board members. Trish seconded; the motion carried unanimously.

The executive session adjourned at 2:11 p.m. No minutes or formal actions had been taken during the executive session, and Rich stated that no topics other than personnel matters were discussed.

EN RE: ADJOURNMENT

MOTION

John moved to adjourn the Housing Authority meeting.

Squeak seconded.

Under discussion, Nancy noted that the remaining items scheduled on this day's agenda would be postponed to the August meeting.

The motion carried unanimously.

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

Dee Bolton, Minute Taker

Rich Lowe, President