

YAMPA VALLEY HOUSING AUTHORITY BOARD MEETING
March 10, 2016

Doug Monger, 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, Catherine Carson, Roger Ashton, Cole Hewitt, Trish Sullivan, Craig Melchow and Doug Monger. John St. Pierre and Dillon Fulcher joined the meeting in progress. John Spezia was absent.

Others present included: Jason Peasley, Yampa Valley Housing Authority Executive Director; B Torres, Executive Assistant; Chris Catterson, auditor; Ward Van Scoyk, YVHA attorney; and Tom Ross, *Steamboat Pilot and Today*. Sarah Katherman prepared the minutes from a recording.

EN RE: PUBLIC COMMENT

There was no public comment.

EN RE: 2015 AUDIT REVIEW AND APPROVAL

Jason introduced Chris Catterson, who conducted the field work for the audit in February. Chris reviewed the audit procedure, noting that the key features of the audit are the materiality (big picture of the organization), the independence of the auditor and the separation between the management of the organization and its auditor. He noted that financial misstatements identified by the audit can be inadvertent errors or deliberate actions of fraud. Actions of fraud can be either misappropriation of funds or misrepresentations within financial statements. Chris reviewed the controls in place that make misappropriation of funds a low risk for YVHA. He stated that the YVHA is at a higher risk of financial statement fraud due to the benefits that could be derived if the organization appears to meet certain standards or covenants. Chris reviewed the adjustments to the accounts, noting that many are the result of discrepancies between the accounting used for proprietary funds and budgetary accounting. Chris said that the only adjustment due an error is the adjustment for the allowance for the loan loss, which was an isolated incident. He reported that the audit report is clean, so YVHA will continue to be a low-risk auditee moving forward.

In response to a question from Kathi, Jason explained that the portion of the Fish Creek Mobile Home Park roadway funded by the City through a cost-sharing agreement should be considered a contribution to YVHA. Catherine noted that all the adjustments had been reviewed by the Finance Committee. Kathi suggested that the \$400,000 pledged contribution by the City and County toward the Elk River project should be acknowledged, just as the awarded but not yet received grant from the state was recognized. In response to a question from Doug, Chris reviewed how the debt forgiveness was recorded. He noted how the financial statements of the YVHA have significantly improved in the past few years.

MOTION

Catherine moved to approve the 2015 audit performed by Catterson & Company, P.C. with the addition of a note recognizing the \$400,000 contribution made by the City and County. Kathi seconded the motion. **The motion carried unanimously.**

EN RE: RESOLUTION 2016-002 – SUPPLEMENTARY BUDGET AMENDMENT

Jason reviewed that the supplementary budget amendment is needed to update the budgetary expenditures at Hillside Village to bring them in line with actual expenditures. He noted that this is done every year to adjust for over-budget expenditures. Jason said that the expenditures were for unit upgrades and drainage work. He added that the drainage repair work was scheduled, but was done earlier than expected in response to a problem. This item will be removed from the capital expenditure schedule.

MOTION

Cole moved to approve Resolution 2016-002 adopting the second 2015 Supplemental Budget Amendment. Roger seconded the motion. **The motion carried unanimously.**

EN RE: COMMUNITY HOUSING STEERING COMMITTEE

Jason stated that 27 applications had been received for positions on the Steering Committee. He said that in addition to the six members to be chosen from these applicants, a YVHA Board member will be designated to serve on the Steering Committee. The representatives selected by their respective organizations are as follows:

- County – Doug Monger
- City – Kathi Meyer
- Chamber Resort Association – Dan Pirrallo
- Human Resources Coalition – Sheila Henderson

Following a discussion of how the YVHA Board should go about selecting the committee members, it was decided that for the categories with fewest applicants (environmental, resort and beneficiary) a straight up vote could be taken. For the other categories, ballots would be used to choose the top two or three candidates, which would then be voted on by the Board. This process resulted in the following:

- Resort – Karen Goedert
- Environmental – Angela Ashby
- Development – Tom Fox
- Beneficiary – Viviana Loya
- Business – Soniya Fidler
- Community – Charlie MacArthur

The YVHA Board chose Roger Ashton to serve as its representative on the Steering Committee.

EN RE: ELK RIVER VILLAGE LIHTC PROJECT UPDATE

Jason said that the next 40 days or so would be very busy with all that must be done to close on the property, the equity, the construction loan, the permanent loan and the sale of the tax credits. He said this process will finalize the relationship that YVHA has with Overland, the equity investor, the construction and the operations of the property. He said that most of this is detailed in the letter of intent between Overland and YVHA. Jason said that although it was expected that YVHA would be the manager of the property and receive the management fee, Enterprise, the syndicator representing American Express (the equity investor), requires that the manager of the project meet certain requirements that YVHA does not meet. Jason said that among those requirements is experience with managing a tax credit project. He said that a third-party manager, Ross Management, will be contracted to manage the property. Ross manages 3000 tax credit units throughout the state. Jason reviewed the arrangement, and said that there is nothing to be gained by partnering with Ross on the management, as the entire management fee will go to Ross. He suggested that there may be an opportunity for YVHA to transition into the management position in the future.

Ward said that a conference call with all the parties involved in the deal is being held each week. He said that although some drafts have circulated, none of the actual documents are currently available. Regarding the structure of the deal, Ward said that there will be an owner entity, of which the equity investor will own 99.9%. There will be a management entity, which will have a .01% interest in the project, split between Overland (70%) and YVHA (30%). The total ownership interest of YVHA will therefore be 0.003%.

In response to a question from John St. Pierre, Jason said that the ceiling on the rents would be set by CHFA and would remain in place for 30 years. He noted that the purpose of the ownership structure is to ensure that the investor gets all the depreciation benefit and tax benefit from the tax credit sales. He said that 90% of the cash flow from the project will go to the management entity, so YVHA will receive 27% of it, with the remainder of the 90% going to Overland. Jason said that Overland is interested in pursuing a transition from Ross to the YVHA as the manager of the property once the project is stabilized, but that decision will be ultimately be up to American Express. Ward offered that Enterprise and the banks involved are very professional and experienced with the process.

Jason stated that it is important to keep the big picture in mind: the community will get 48 units of permanently affordable housing and YVHA gets out of a \$2M disaster. He said that in order to get the necessary documents executed and signed, the regular YVHA for April has been moved up a week to April 7th. He reviewed the list of documents. Jason added that YVHA wants to obtain a first right of refusal to ensure that it can purchase the property once the compliance period is up and the tax credit investor wants out (15 yrs.). He said that the master lease will allow the YVHA offices to be housed in the clubhouse for \$1.00 per year.

Kathi summarized that YVHA will have no role in the construction, no risk and no lease-up expense. It will have to finalize how the City and County contribution and state funds will be loaned to the partnership, and will have to finalize the lease for the YVHA offices. There was a discussion of the third-party oversight of the construction. Jason said that he would inform the Board of what the 27% bottom line cash flow is expected to be. Jason confirmed that in addition to eliminating the debt on the property, YVHA would receive a \$150,000 developer fee, at least part of which will be paid upfront – and 48 affordable units for the community.

EN RE: CONSENT AGENDA

The following items were presented on the consent agenda:

- a. Review and approval of the February 11, 2016 minutes
- b. Review and approval of balance write-offs for January 2015
- c. Review and approval of January 2015 financial statements

MOTION

Kathi moved to approve the consent agenda, as presented. Cole seconded the motion. **The motion carried unanimously.**

EN RE: STAFF REPORT

Cole reported on the upcoming sale of the trailer at Fish Creek #64. He stated that there was no lien on the property because as a motor vehicle there must be a judgment prior to a lien. Cole said that the full past due account is expected to be recouped through the sale. Jason added that Bob Weiss is pursuing the judgment.

EN RE: ADJOURNMENT

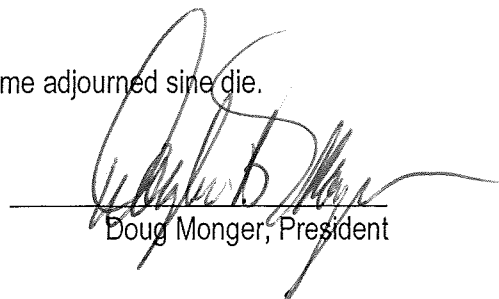
MOTION

Kathi moved to adjourn the regular meeting of the Housing Authority. Cole seconded; the motion carried unanimously. The meeting was adjourned at 2:00 p.m.

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



Sarah Katherman, Minute Taker



Doug Monger, President