

**MEETING MINUTES FOR THE BOARD OF DIRECTORS
CITY OF DOUGLAS COMMUNITY HOUSING CORPORATION**

**Board of Directors Regular Meeting
City of Douglas Community Housing Corporation**

Thursday, October 1, 2015 at 9:30 a.m.

**Rancho La Perilla Apartments
Community Room
1201 E. Fairway Drive
Douglas, AZ 85607**

1. Call to Order

Rancho La Perilla Board members held their quarterly meeting on Thursday, October 1, 2015 at 9:51 a.m. in the community room at Rancho La Perilla Apartments, 1201 East Fairway Drive.

2. Roll Call

Board Members present were, Vicky Merritt, Felix Soto and Veronica Abrigo. City Staff members present was Carlos De La Torre, City Manager. Present from First West Properties Corporation (FWPC) was Ana Salazar, the site manager. The meeting started at 9:51 a.m.

(Board Member Absent was Mr. Frank Melgoza. City Staff member absent was Juan Pablo Flores, City Attorney. Also absent was FWPC President, Frank Moro. Judi Lamoreaux, the Multifamily Supervisor for FWPC attended on Mr. Moro's behalf and Mr. Moro participated in the discussion telephonically about a fourth of the way into the meeting and remained on the phone for the duration of the meeting.

3. Persons wishing to address the committee in writing or verbally on any item not on the agenda.

(None)

4. Discussion/Decision on Approval of Minutes for the April 2, 2015 Board Meetings.

Motion made by Veronica Abrigo to approve meeting minutes from April 2, 2015 and seconded by Felix Soto.

(Motion Passed unanimously)

5. Management Report and presentation of related Financial Reports.

Judi Lamoreaux went over the financials showing that they ended the month with a shortage of about \$15,000 with figures showing the current estimated payables per the reports on hand. The payable detail report shows current bills with a total of \$45,173 and about \$30K of that figure represents this month's current mortgage obligation-and it will not be shown as being carried forward. Board President, Vicky Merritt inquired of Mr. De La Torre about how the shortfall had been handled in the past and if there was any mechanism in place to handle this type of situation. City manager responded that there is and is not a mechanism in place to handle these financial situations at the City. He related that it is in the City's best interest to maintain the corporate entity functioning and apartment operations running and provide assistance for the concept. For the City, the assistance is preferably done as a short-term solution while focusing on how things need to be run differently to avoid the same set of circumstances in the future. City Manager explained that any financial cash assistance would be designed to alleviate the immediate cash flow problem but geared toward some secure pay-back provision and not potentially forgivable as previous notes held by City with the CHC as debtor. City Manager then reiterated the City's administrative position and emphasized the need for a plan to avoid the same financial pinch in the future while accommodating a pay-back provision that the CHC would likely be able to afford.

Judi Lamoreaux further explained that there are currently no (HUD) replacement reserves available that can be billed for to affront any of the current and outstanding bills/payables. Funds in the approximate amount of \$10K have been requested from HUD to renovate several apartments and do some maintenance to the parking lot as required; and this is usually requested in advance. The account does have about \$300K as a balance.

Mr. Moro inquired if the agenda would allow for discussions about the need to review the current marketing plan. Mr. De La Torre advised that it would be appropriate to discuss the marketing plan since we are on the topic of finances. Frank Moro discussed the current marketing plan that included radio ads along with partnering with the Golf Course MPC to offer memberships and certain levels of golfing amenities as well as TDY type of rental availabilities for later this month. Ms. Lamoreaux added that more furnished units have also been made available, and they are currently up to 10 furnished units that have helped revenues. Mr. Moro related that he has used some of his corporate owned furniture that was stored in Sierra Vista & there are plans to expand the TDY

rentals (there are currently 2 TDY available units) as these typically garner about 150% of the normal base rent & these include some utilities.

There are currently 25 vacant units and management has lowered the rents \$50 per month and are accommodating more potential tenants. Many Border Patrol tenants have been transferred and out of a recent class of 10 that graduated, only 1 has moved to the complex and most have elected to commute from Sierra Vista. There have been 6 possible Customs officers that looked at the complex, but only 1 moved in and 4 families were lost as a result of the hospital closure. All the offered amenities have been insufficient to retain or attract significant numbers of renters to make a financial impact on the corporate cash flow. The complex is also reported to be pet-friendly and has been incorporated to the flyer that is being distributed along with the radio ads that have been going for 3 weeks. City Manager asked about the FWPC relationship in marketing property with local real estate agencies and obtained a reply that they have not been marketing to local Realtors. He indicated they would implement an effort to reach out to the local real estate community with a referral fee in the neighborhood of \$100 for every leased unit. Anna indicated they would start this week to send letters and flyers to the local realtors relative to the marketing/referral concept.

City Manager asked about the Sierra Vista occupancy rate. Mr. Moro explained the current occupancy rates ranged between 85% and 90% in the higher end communities, but middle market and lower level property vacancies are somewhat higher and their rental rates are significantly down in Sierra Vista. The Sierra Vista market is up from the 50% occupancy rates of 3-5 years ago to 80-85%. He also explained that the Douglas tenant prospects are being leaked out to Sierra Vista causing lower rental occupancy to the CHC facility. Board President, Ms. Merritt brought up the point and the Board discussed possible reasons why federal employees chose to live in Sierra Vista and many factors were brought up like shopping and entertainment. Young families may elect the Sierra Vista school district along with possible car-pooling opportunities for those federal employees. Border Patrol just released a new academy and Rancho La Perilla is offering incentives and concessions to have them move to the community.

Board President, Ms. Merritt brought up the discussion about what mechanism CM would use to fund the shortfall. Ms. Lamoreaux advised that the utilities are due and payroll was partially covered by FWPC this month. She further explained that the real estate taxes impound account was miscalculated by the lender and they have requested the property make up the shortfall over the next four months which has resulted in an additional \$6,000 per month to cover this expense for the next 3 months. Even though the tax appeal was won by the CHC, the tax rate did go up considerably from last year and this has compounded the cash flow problem. CM explained that City finance would process the \$25,000 payment next week along with a firm pay-back plan and not on a forgivable

basis like the previous notes executed by the CHC with City being the beneficiary. CM also offered the CHC to have City extend the water bill payment over a 1 year period with a viable payment plan and CM also offered to have City pick up the garbage on a daily at a much lower rate than the \$1,800 per month currently paid by FWPC to Waste Management Services; provided CHC could be released from any current contract obligation to their solid waste provider.

Mr. Moro agreed to complete a cash flow analysis for the next 4-6 months and propose a viable repayment plan and promissory note. There is also an auditor bill for services in the amount of \$10,000 which will be factored into the analysis. CM related that the City could process the subsidy payment by next week on 10/8 or 10/9/2015 and would then move to have City Council approve/ratify the subsidy with understanding that repayment would be accelerated if Council does not approve. Mr. de La Torre also advised that FWPC and CHC need to consider a maneuver to have CHC be considered under the GPLT mode in order to save on mortgage taxes, if CHC could be considered a City entity. CM explained the GPLT concept to the Board and that this determination could save on facility taxes by 30-40%, and that other cities in Arizona have received a determination which has benefited them. This could be extended to Ranch La Perilla to reduce the rental tax rate.

6. Discussion/Information from Carlos De La Torre, City Manager, or his designee, regarding updates on City of Douglas projects that may be related to or have implications to CHC assets along with possible marketing strategies available to the CHC and the Douglas Public Facility MPC.

No matters were discussed here as CM had been excused by the Board after agenda item 5 was presented.

7. Information/Discussion and possible update regarding the FWPC Property Valuation Appeal 2015 Property Tax Notice, along with copy of the Contingency Fee Agreement.

Board discussed that tax Appeal had been won by FWPC on behalf of the CHC but that was a significant increase in the tax rate independent of the appeal. Board President, Ms. Merritt brought up that this may have been due to the school tax rate having gone up in the local district.

8. Information/Discussion and possible update regarding form 990 for tax year 2014 as signed and submitted on May 1, 2015. FWPC reported and Board briefly discussed that this matter is currently being taken care of as part of the yearly audit.

9. Information/Discussion and possible update regarding the Mortgagor Certification on 4/23/15 filed with the US Department of Housing and Urban Development.

FWPC explained that this matter has been completed and FWPC offered copies of the relevant correspondence on this item.

10. Discussion/Decision by Board regarding possible capital call to City of Douglas for cash infusion to handle outstanding bills of about \$25,000.

Board President, Ms. Merritt recapped that this would be taken care of as discussed under item 5.

11. Scheduling and/or confirmation of next Meeting date(s), and suggestions for future agenda items.

January 7, 2016 at 9:30 a.m., and if a Special Meeting is needed, it will be called for on an as needed basis. FWPC brought up that compliance with the Fire Protection Code as it relates to additional fire extinguishers being needed at the CHC apartment facility will need to be discussed as a future agenda item.

CHC will need to appoint a new board member for the vacancy due to Art Estrada's resignation.

12. Adjournment

(Motion to Adjourn made by Ms. Veronica Abrigo and Seconded by Felix Soto)

(Motion Passed and meeting adjourned at approximately 10:45 a.m.)

Prepared By:

Juan Pablo Flores Esq.,
