

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

**Thursday, October 6, 2016 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 6, 2016 in the community room at Rancho La Perilla Apartments, 1201 East Fairway Drive, and the meeting was called to order at 9:34 a.m.

**2. Roll Call**

Board Members present were, Vicky Merritt, Felix Soto and Michael Gutierrez. City Staff member present was Brenda I Arenas, Administrative Assistant. Present from First West Management Company (FW) was Frank Moro, and Ana Salazar, the property manager.

Absent Board Member is Frank Melgoza. Former member, Veronica Abrigo declined reappointment once her term expired.

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

NONE

**4. A. Discussion/Decision of the removal of Frank Melgoza from City of Douglas Community Housing Corporation, for non-attendance.**

Motion was made by Vicky Merritt to drop member Frank Melgoza due to non-attendance and seconded by Felix Soto. The motion passed unanimously by a 3-0 vote. Discussion then focused on need to replace the member.

**5. Discussion/Information on Cochise County 2016 Property Tax Notice.**

The current assessment according to Mr. Moro is the same, so there is no need to take action this time around. Mr. Moro explained how his firm on behalf of the CHC appealed last year's assessment and got a favorable result by lowering the value by 40-50%. The original value prior to the successful appeal was at \$4.5 million and currently stands at \$2.2 million. Mr. Moro gave a background as to the higher past values and that generally Municipal Property Corporate entities may enjoy tax exempt status.

Additional explanation was provided as to why Cochise County considers the entity as a whole not providing a public benefit as low income housing to the community. Since the County Attorney took the position that the entity does not provide a public purpose, and therefore it is taxed as a regular property as if owned by the private sector. The full rate had CHC paying about \$50K to the County in taxes and it was getting quite financially burdensome on the CHC, almost to the point of bankrupting the entity. After some litigation around 2005, the City gave up the fight and thereafter FW picked up where City left off and negotiated (by way of a tax appeal) a lower rate for the CHC. The current property taxes are about \$28K per year. Typically, tax appeals are done a year in advance.

6. **Discussion / Information regarding recent fiscal year 2015-2016 Audit submission.**

Frank Moro, of First West (FW) explained that the audit has been completed and there were no comments or negative findings in the audit document. A firm in Phoenix does the audits and the Board President typically submits certifications explained Ms. Merritt. Mr. Gutierrez gave an overview of the audit process as well as form questions that had to be answered and submitted showing various procedures the CHC Board takes to comply with their statutory good faith, fiduciary and ethical responsibilities.

7. **Discussion of new members for CHC Board.**

This was noticed as a discussion item, and the Board discussed four (4) names as noted: Arturo Escalante, Alejandra Boneo, Melissa Silva and Cesar Gonzalez (Border Patrol Liaison). Board President will reach out to prospective members to see if board can get 2 interested parties.

8. **Management Report and Presentation of current Financial Reports for the CHC and Facility.**

Currently occupancy is at 80% with 4 expected move outs at the end of the month. Management only has 2 applications currently under review from prospective tenants. On a good note, 1 of the 2 BP academy graduates came to live at the apartments. Upcoming Customs academy may produce 2 tenants as well. Ms. Salazar reported that the apartments have 42-2br units and 38-1br units. There are currently 16 vacancies and they are all for the 2 bedroom units. One bedroom units are in high demand and rent out regularly. Rent for a 2br is \$714 and \$591 for the 1br and with incentive/promotional pricing upon signing of an extended lease the monthly rates drop to \$653 and \$539 respectively. The state of the economy was discussed in terms of whether it is time to consider a reduction in monthly lease rates. Some options were discussed that would for example bring the 2br units down to \$500 per month. Different variations of pricing incentives were discussed in order to minimize the impact on the cash flow while allowing for periodic reviews of the market. Board discussed that the rent would have to be lowered through use of specials that feature discounts, and market rent would be reviewed upon the conclusion of the special period, along with the need to have the incentives be in compliance with federal fair housing regulations.

Mr. Moro summarized the goal of the possible incentives by way of periodic specials, or periodic specials to get the CHC to continue to be solvent while we all wait for signs of

an improving economy, in other words we are just trying to get cash influx though these incentives to buy the CHC some time.

The management (FW) is still having problems attracting local federal employees to the apartment facilities. Incentives were discussed to possibly attract these federal employees, but no concrete discussions crystalized. The financials trends were reviewed and these showed that a steady flow, but with a slight decline in cash flow/rent income. Reserve replacement options were discussed on carpets and appliances, and discussions centered on flooring options that would save on install costs. FW may be using some vinyl flooring on a couple of the units on a trial basis. Local vendor options for the modern vinyl flooring were also discussed along with the balance of \$297,000 in replacement reserves and PMI. These funds could be used in bulk for floor covering and replacing about 10 washer and dryers along with the paving work. Bids for the paving work were discussed with Campas Construction presenting a bid that was \$10K lower than Gar Construction. No bid has been approved as of yet administrative or otherwise, but matter was not on the agenda, and will be discussed for approval under number 10 herein this agenda. The other maintenance and replacement items such as the washers and dryers could be done administratively. New laws regarding PMI reductions were discussed that could present a savings of about 60% in this area upon conducting an energy study/reports and analysis that shows good numbers on the conservation spectrum. FW would look into this and report on the concept at future meetings.

**9. Update on Marketing Strategies and flyer for real estate agents.**

FW reported that the website would be updated as this social media has been identified as the source of the rental leads. FW will have their in-house consultant review CHC's social media presentation to refresh the promotion application that will entail a cost a result of the use and upgrade. The discussion centered on the content based social media campaign, and possibly doing away with the \$500/month radio advertising campaign and placing the expenditure toward a social media advertising campaign. Various platform options were discussed relative the social media campaign. FW reported that the flyer has not yet been developed relative referral fees for realtors.

**10. Update on parking lot repairs.**

FW reported briefly that Campas was the lower bidder and that the lineal feet noted in the estimates differed in the two (2) bids received. The paving problems were identified and cost options were discussed mainly regarding the center of the parking lots. It was moved by Vicky Merritt and seconded by Felix Soto to accept the bid submitted by Campas Construction for the paving repairs. The motion carried unanimously and that this would be done with the replacement reserve funds.

**11. Scheduling and/or confirmation of next meeting date, and suggestions for future agenda items.**

The next quarterly meeting was confirmed for Thursday, January 5<sup>TH</sup> 2017 @ 9:30 a.m. This was accomplished through popular acclamation. Possible agenda items included the membership item as well as the paving & marketing concepts. Rent reduction options for the future agenda were discussed and the number of \$600/month for the 2 bedroom units for new and renewing tenants. Rental reduction options of pricing two (2) bedroom units for the same price of one (1) bedroom units were left up to FW management discretion designed/targeted at filling the next 10 vacant units for 6 month leases. FW was authorized to run the special until the 10 units were leased out at the reduced rate (inclusive of renewals).

12. **Adjournment**

(Motion to adjourn made by Vicky Merritt and seconded by Felix Soto to adjourn meeting. Motion was approved unanimously.)

(Motion carried unanimously and meeting adjourned at 10:54 a.m.)

Posted at:

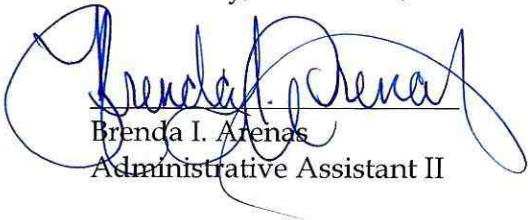
City Hall

Douglas Police Department

Douglas Library

<http://www.douglasaz.gov>

Wednesday, October 11, 2016 @ 4:30 p.m. by:



Brenda I. Arenas  
Administrative Assistant II