

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

Thursday, April 5, 2018 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, April 5, 2017 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, Michael Gutierrez, and Arturo Escalante. City Attorney, Juan Pablo Flores was also present on behalf of Administration for City, and he noted absent members were Felix Soto and Richard Yanez. FW Staff were present with Frank Moro and Ana Salazar.

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

NONE

**4. Discussion/Decision on appointment to Board of Directors to formally swear in Arturo Escalante as Board Member Douglas Community Housing Corporation. Mr. Escalante was approved by Mayor and Council February 14, 2018, replacing Frank Melgoza.**

Mr. Escalante was sworn in by Mr. Flores by formally administering a form of Oath of Office and the new member was well received by fellow board members.

**5. Discussion/Decision on Approval of Minutes for the January 4, 2018 Board Meeting.**

Motion made by Vicky Merritt and seconded by Arturo Escalante to approve the January 2018 minutes as presented and motion was approved unanimously.

**6. Management Report and presentation of current Financial Reports for CHC and Facility, along with a status on the Security Deposit Account.**

Frank Moro began this agenda item by noting that on the Balance Sheet it is reflected that the Security Deposits have been balanced out and are currently fully funded. As part of the report, FW submitted the 12 month trailing and noted that since the fiscal year is from July 1 to June 30 the forms can basically be used as a 12 month comparison/analysis period to see the financial trends. Income is beginning to trend up a little bit Mr. Moro noted with the related numbers and noted that we are currently at 90% occupancy. The executive leases are up, and the Golf Course cooperative arrangement was explained by FW and noted that it has gotten very little fan-fare and actual use by the Golf Course MPC. Mr. Flores explained the Golf Course is under new management and that this has been approved by both entities (Golf MPC & CHC). Frank Moro explained that Rancho has to assemble/create units by possibly having FW lease/rent furniture to the CHC for their executive units. Mr. Gutierrez looked for clarification on the issue and suggested that the rent/lease of furniture from FW be reported & formalized and that an agreement needs to be defined with FW. Mr. Flores also suggested that there may already be an existing line item on the prior financials representing transactions of the rental of furniture arrangement and understood the need to have this concept well delineated from a financial perspective. FW clarified that CHC purchased furniture and accessories for outfitting the executive units and these were the only ones that appeared on the ledgers. Mr. Gutierrez noted that it is important to document these concepts for the CHC. Mr. Moro explained how he acquired his furniture stock that he keeps in an SV warehouse. FW explained the costs of furniture rentals that ran about \$75 per month as it related to units being outfitted by FW on behalf of the CHC; and how these furniture costs had been floated/gifted by FW to the CHC. Juan Flores explained that this represents the good will FW has been putting forward and undertaking to keep the CHC viable, to include forgoing the management fee for periods of up to 1 year. Then the current need to prepare executive and TDY units was briefly discussed and how the current occupancy rate is represented by a mix of TDY/Executive and longer term rentals.

Back to the financial statements on the net operating, Mr. Moro notes that under income the board will see how it fluctuates monthly up and down \$23, 20, 33, 26, and 28 depending on operating expenses. To get an accurate number Frank Moro explains that you must subtract the operating income & debt service figures to get an accurate number. The August 2017 month was looked at where the income was over \$18,525 with a debt service of \$23,000 causing ending figures to end in the negative. The figures showed that there were positive numbers 1 out of every 2-3 months on average, and the figures on the bottom of the page are not an accurate reflection of actuals due to the depreciation being factored in. The discussion/presentation by FW then turned the focus turned to financials titled Payable Aging Detail from March through May of this year with growing numbers showing the Auditing expenses that were bid out last year by FW as part of management duties for their real estate complexes auditing needs (Addington and Associates PLLC with whom the CHC has a payment arrangement in place). The City of Douglas utilities at roughly \$3.3 K per month, and currently the grand total owed to the City of Douglas is \$13K for water and sewer. CHC Board suggested checking with City to see if rates could be lowered by going with the City for solid waste services.

In addition to \$13K owed to the City there is another \$10K in receivables owed and this is where we are about \$7K behind with \$3,100 in appliance costs that are reported to be recoverable. Mr. Flores brought up the debt to the City and Frank Moro reported that there was \$38K paid to the City on the outstanding debt. This was paid to City as part of and from the \$86K loan from the City. Frank Moro asked about a promissory note for tracking of the debt and possibly revising the

outstanding debt as a future reporting item. As for the outstanding loan from CHC to the City, it would seem that the water and sewer bill to the City is not current and may not have been paid since November '17. Frank Moro got some information from their home office and reported that there is one (1) payment per month to the City and this covers the loan and the water & sewer service. The aging payables show no payments since November '17 and the ongoing payment (if any is made by FW on behalf of the CHC) should represent the current water & sewer payment plus a payment on the existing loan. Payments made are supposed to be noted by FW by way of a journal entry. Mr. Flores chimed in and noted he will ask the City Finance Department c/o Luis Pedroza to break down the bill for the CHC into current and past due components.

7. Management Report regarding marketing efforts for CHC and Facility, along with Information/Discussion on pricing and marketing options with Air B&B and VRBO (Vacation Rental by Owner), to include possible Discussion/Decision on any related concept herein noted.

FW reported FB advertising is continuing and there is a BRBO account that has been opened, but there are no units currently available to fulfill the demand that the advertising platform could generate. \$495 or 8% of the take is the yearly fee to BRBO and that process is currently ongoing. Mike Gutierrez asked about possibly sub-letting apartments at the facility. FW responded in a way that tended to show they would be amenable to the idea. FB has shown an increase in looks/views on a particular facility/apartment video 625 views were reported by men and women between the ages of 19-32. In response to Mr. Gutierrez' inquiry, Ana Salazar reported that advertising on FB is targeted to certain academy graduates, but now the campaign is a locally targeted campaign. Mr. Gutierrez cautioned regarding advertising and assuring compliance with Fair Market legal concepts.

8. Discussion/Information and possible Discussion/Decision/Direction regarding converting the current CHC facility to an Affordable Housing Program (also known as tax exempt government subsidized housing)

FW representative Frank Moro noted that the goal here would be to get more favorable tax treatment from the County taxing authorities by fully transforming the CHC facility into an affordable housing program. Currently the CHC facility does not cater to a substantial population of the low income housing market.

The CHC has 8 units that are required to income qualify and are reserved for ADOC employees under the State's Housing Trust fund guidelines. The discount currently provided for the income qualifier units is 10%. Mr. Moro gave a background as to how the facility was initially a tax exempt facility and how the County then noticed that there was no across the board affordable housing program offered by the CHC & that there was not a sufficient public purpose in the CHC's operation of the facility and therefore the County, after engaging with the City in extensive pre-litigation activity, removed the tax exempt status from the CHC. The City in turn dropped the litigation once they realized that the likelihood of prevailing was very improbable due to the fact the CHC was not an across the board affordable housing program that met a valid public purpose. To try to meet the guidelines of a tax exempt housing facility, the CHC would need to retool the apartment facility rental ground rules and protocol to make the facility a completely income qualifying housing facility. As an example, Mr. Moro explained that this could be done at varying income qualifying rates of say 60, 70 or 80%

of median income and the formula can be designed by the CHC itself thereby making the CHC facility a public program and in turn receive favorable tax treatment from the County.

Mr. Moro explained that various other properties he manages despite being income qualifying and managed by a not for profit corporation are still taxed. He mentioned that since the CHC facility is a Municipal Property Corporation, the favorable tax treatment is obtainable and within reach as it is easier to demonstrate a public benefit is being provided to the community by the CHC. The fact it is an income producing property the taxing authority can easily determine that the entity does not provide a public benefit/function. Mr. Gutierrez asked questions on the options before the Board as to the Affordable Housing Program, and the discussion focused on the reasons why it had not been done before and the pros and cons of doing the change in policy and protocol would ultimately attract a different clientele that CHC is customarily used to. The marketing component would be simplified and reduced in large part as the supply and demand of the low income housing market guidelines as per possible HUD regulations that would have to be complied with would be less stringent. Median income could be determined and whatever levels the CHC Board determines as a matter of policy per Frank Moro. Frank Moro noted that 6 out of the current 8 units that are income qualifying are leased out and as a side note he added that the current monthly property tax bill is around \$2,200 per month. Mr. Gutierrez gathered direction from the board and directed FW management to proceed with drafting a plan to pose to the County taxing authorities in order to move forward with an affordable housing under the income qualifying program.

- 9 Discussion/Information and possible Discussion/Decision regarding the repayment plan and revised or new note(s) owed to the City of Douglas on cash infusion loans.

Mr. Flores suggested that his office would get together with Mr. Pedroza (City Finance Department Manager) so he could be present at the next meeting to explain and help the Board decipher between past and present utilities owed and the long term debt/loan owed by the CHC to the City of Douglas. Matter was administratively tabled to the next CHC meeting.

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

The Board suggested a June meeting say June 7, 2018 at 9:30 a.m., along with a standing marketing report the Affordable Housing Program (also known as tax exempt government subsidized housing). There will also be an item to discuss current and past utilities owed and the repayment plan/revision of note(s) owed to the City of Douglas on cash infusion loans

11. Adjournment

Motion made by Vicky Merritt and seconded by Arturo Escalante to adjourn the meeting at 10:44 a.m., and motion was approved unanimously.

Prepared by Juan Pablo Flores.

Posted by: Alma Andrade, Deputy City Clerk

