

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

Thursday, April 23, 2020 at 9:30 a.m.

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

1. Call to Order.

Due to the continued Covid-19 pandemic, and after delays occasioned by complicated meeting scheduling logistics, the Rancho La Perilla Board members held their quarterly meeting via teleconference (virtual) means on Thursday, April 23, 2020 with the community room at Rancho La Perilla Apartments being considered the home base for meeting purposes, at 1201 East Fairway Drive, and the meeting was called to order at 9:45 a.m.

2. Roll Call.

Board Members present were Vicky Merritt, Michael Gutierrez, Debra Wendt and David Hargis. Additionally, those virtually present were Frank Cassidy from Walker Dunlap, FW management team members present were Frank Moro, Stacy and Ana Salazar. City Staffer Juan Pablo Flores, City Attorney was also present.

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

(NONE)

4. Management Report and presentation of current Financial Reports for CHC and Facility.

The group first dealt with item #7 below, and then returned to this item #4. The financial statement was examined by Frank More noting that the revenues are up to record levels as to the net operating income for the property. Now looking at revenues, the effective income in March was \$58,238, expenses were \$32,445, debt service was at \$22,913, leaving about \$9K in net operating income. Frank Moro explained the CHC currently has \$66,747 in replacement reserves after paying about \$50K for the asphalt job, as the bid initially came in at \$45K. In total, the CHC has about \$35K in excess cash that has not been allocated to any project, and we can talk about programming a project for the facility once part of the cash is allocated to payment on arrearages for the loan from the City for utilities and deficit loan. Mr. Flores recommended dealing with any facility projects (like the clubhouse flooring or City loan payments) at a future face-to-face board meeting.

Ana Salazar then reported occupancy at the facility is currently at 100% with no vacancies and much demand anticipated into the near future. The Asphalt project is set for May 1, the deficiencies with the State have been cured, that included sand in the playgrounds and several uneven sidewalks. Mr. Flores noted for the benefit of Ms. Wendt that the financials will be easier to review once we move to in-person meetings is brought about and then Mr. Hargis asked about the status of rent deferment requests due to Covid-19 and received response in the negative.

5. Standing Report from management regarding ongoing marketing efforts and general results of these efforts for the CHC and Facility, to include possible Discussion/Decision on any related marketing concept, to include bill board on "A" Avenue and HWY 80.

Marketing is reported to be going well due to the high occupancy and Board then moved to the plans as revealed by FW for refurbishing the billboard in the vicinity of “A” Avenue and HWY 80 as a final rendition of the graphics have been revealed. Mr. Flores noted the MPC Golf has not made a commitment toward contributing financially to billboard project full cost at \$2297. Frank Moro explained he is providing a significant cost savings as the sign is for FW and it is being combined with other local projects on one trip for the sign company. A motion was made by David Hargis to proceed with the project, and the motion was seconded by Debra Wendt, and the motion was approved unanimously.

6. Discussion/Decision on possible rate hikes for the Rancho La Perilla Apartment facility.

As to the 80 units representing the entire CHC inventory, Ms. Wendt inquired about the nature of the TDY units of which there are 7 of these units and it was explained that these are fully contained executive units that include everything like utilities, furniture, cable and maid service with rent for these units at \$1,300 for a 1-bdr unit and \$1,542 for a 2-bdr unit and that these are currently all rented out. Ana Salazar talked of board possibly raising the base rents by \$25 to \$627.08 for a 1-bdr and \$740.16 for a 2-bdr unit and that this could cause tenants to exit as this has been related to her by long-term tenants. Month-to-month rates were discussed and how the state income qualifying program would be concluded at the end of May 2020. Any potential increases would go into effect at lease end or the following month for the month-to-month tenants, and that rent increases last occurred a year ago for the 1-bdr units and Ms. Wendt noted that annual increases are standard costs and just part of doing business. FW (Frank) explained the timing and the lax economy was not conducive in recent past for rent increase considerations. Mr. Flores gave a couple of ideas on areas to consider for rent increases and FW (Frank) as management noted rent should be sustainable to cover its net operating expenses without straining the property or gouge the market and the suggested a \$15-25 increase over the next 12 months and explained how historically due to the prior high debt on the property, occupancy at the facility had to be at around 95% for the facility to break even financially. After some discussion the board sentiment was likely to wait a few months. Then after a FW recommendation, there was unanimity in Board direction given to administratively raise rents for the base rent for the executive accommodations/TDY units by \$25 per month as well as to the month-to-month fee rates with a 30-day notice to be given to the affected units (increases would be effective June 1, 2020). Flooring estimates for clubhouse will be discussed in the near future.

7. Discussion/Decision on preliminary approval to modify/refinance the CHC’s loan currently held by Walker & Dunlop, LLC in the original principal amount of \$4,601,000.00, secured by a mortgage on the Rancho La Perilla Apartments, in order to reduce the existing interest rate, monthly principal and interest payment, and prepayment restrictions; and that Vicky Merritt, as President, is hereby authorized and directed to execute and deliver the following documentation on behalf of the CHC:

CHC to consider the approval of the following formal documents:

A.	THE ENGAGEMENT LETTER TO START THE INTEREST RATE REDUCTION LOAN MODIFICATION
B.	INCUMBENCY CERTIFICATE
C.	BORROWER’S NO CHANGE CERTIFICATE OF CITY OF DOUGLAS COMMUNITY HOUSING CORPORATION
D.	CORPORATE RESOLUTION
E.	MORTGAGE MODIFICATION
F.	NOTE MODIFICATION
G.	BORROWER’S ATTORNEY OPINION
H.	RANCHO LA PERILLA FINANCIAL STATEMENT CERTIFICATION
I.	RANCHO LA PERILLA RENT ROLL CERTIFICATION

Preliminary information was provided by Frank Moro noting CHC management is looking at refinancing the entity's real estate holdings by way of a rate modification down to a range of between 2.95 to 3%. The refinance is being accomplished at no cost, other than legal fees (if any there may be). There is no refund being triggered and no depletion of the Replacement Reserve account is being set in motion. Frank Cassidy, representing the mortgage lenders, spoke next and confirmed the representations made by Frank Moro (FW Management), and explained that this is basically an interest rate loan modification of the current note currently at 4.05% yearly interest rate, and in essence it is not a conventional refinance in the true sense of the word. Mr. Cassidy explained that it is anticipated the refinance will translate into a \$35K annual savings and \$1.2 million savings over the life of the loan, and that after full documentation submittal, he anticipates HUD approval to be received within the next 30 days. There was further explanation given on the documentation presented to the Board as items A through I, on the document list for this agenda item makes up the majority of the loan documentation. It is anticipated that after the preliminary approval, then a rate lock is sought and that closing on the loan would then be anticipated the first week of June 2020.

Mr. Flores then explained in general terms each document and how these will be the basis for the closing documents and briefly explained the perceived benefit to the CHC from his point of view. Ms. Merritt asked if the refinance would change the maturity date of the loan, and Mr. Cassidy responded that it would not change the maturity date.

A motion was then made by Debra Wendt to approve the loan refinance and the accompanying documentation, and the motion was seconded by David Hargis, with no major discussion the motion was approved unanimously. Board then turned their attention back to item #4.

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

Board looked at and informally approved July 9 as the tentative next meeting date. Future agenda items were to hopefully have new board members approved, and any other items that Board would come up should kindly be sent to Mr. Flores or the Board President for processing.

9. Adjournment

A motion was made by Debra Wendt to adjourn the meeting, and the motion was seconded by David Hargis, and the motion was approved unanimously with the group adjourning at 10:31 a.m.

Prepared by Juan P. Flores
Douglas City Attorney

