

**March 16, 2015**

**Saint Joseph Community Land Trust, Board Meeting Minutes**

In attendance: Monsignor Wallace, Lafo Munoz, Lyn Barnett, Jesse Walker, Mike Riley

From Pam – Bucky Fong, Mike Richards, Steve Strain, Kay Fong and young guy, and from IRM Stacey and Kimberly.

Monsignor Wallace led opening prayer

Lyn Barnett called the meeting to order and asked someone to make a motion to approve the agenda.

Motion made by Monsignor Wallace, and seconded by Jesse Walker

Barnett stated he'd like to move to make a change to the agenda, and that

Item 7d, he would like to move to executive session

Moved that change to agenda, so moved by Jesse Walker, all approved

And go onto 8 b

Motion made by Mike Riley and approved all

Lyn Barnett: Housing initiative update, this is the \$300,000.00 fundraising effort. We have a committee, comprised of myself and Jesse and Francie. Barnett gave an update. Francie and I got the grant application into Wells Fargo Bank, we completed the application and everything is fine. We got an email a couple of days ago which says they now they want to see an audit for finances which we've never had to do before. I'm going to have to work with Olivo and Stephanie Lindstrom, she's our accountant there. Stephanie said we need to have our financial procedures in place, a manual of some sort. We may need to talk about that once I talk with Stephanie. We're waiting to hear back from Stephanie. We're working with Ms. Mitchell there at Well Fargo.

Jesse Walker: He is pursuing other grant opportunities, and getting our paperwork in order. He wanted to use the information submitted to Wells Fargo in submitting other applications. (Jesse)

Lyn Barnett: Item number 6:

Francie has been attending the South Tahoe Warm Room Group, as a representative of Saint Joseph CLT for some time. They put together a request for money from the Soroptimist to try to help homeless people. I've been working with Nicole Zaborsky, and put together a grant application to lend money to families with children who have been living in a motel, so they can get a first month's rent and security deposit on real housing. And that's because a lot of these families are paying more in rent living in a hotel, than they would in living in a regular house, but they have not got the money to get out. We requested \$1,000.00 and we were awarded \$500.00. It's good seed money. And now were making a request to the optimist for another \$500.00. I told Nichole we need to raise another 11 to 12 thousand dollars to make this a meaningful effort. And once we get the money we'd work with the school district, because they've got a list of 27 families with kids living in motels right now. We need to raise this money and get these families out.

I meet with Nichole this Wednesday, and I'm going to try to get her to work on raising the rest of the money. The money is in our bank account, we've devolved the procedures for the loan.

There's going to be an awards ceremony 7:30 am awards meeting at the senior center

Moving Backwards on the agenda: this is the proposal from the Saint Joseph LLC partners for the refinancing of the Sierra Garden Apartments and the possible acquisition of Evergreen apartments.

And before we start the presentation I ended up with the summery that was sent to me on this and I also wanted to say did you see the newspaper this morning. David Michael: No. Lyn Barnett: The parcel across the street from Evergreen, that vacant parcel that the city owns; the city manager is proposing to put a year round outdoor events center there. Because it's too noisy to have events there at the Community College.

David Michael: That's not going to be very nice. With parking and who knows what else. On the way up here we were talking about if we get these two properties, that we would then get that property, and to get the home funds from the city to do additional affordable housing there

Lyn Barnett: The city's been under pressure to do a year round events center. With a full parking lot and an outdoor amphitheater and the whole thing. There have been various ideas floating around. No one has settled on a spot just now, but she, the city manager is active in proposing that site.

David Michael: that's a small site

Lyn Barnett: There is six or seven acres, and my guess is night concert and that sort of thing which will have a definite noise impact and traffic. We'll learn more about that but I think that we should be aware. The city wants to compete against the other concerts, the casino concerts and they want it out of the college, and the college wants it moved too.

David Michael: That's part of the airport property. At the end of the runway. Lyn: it is, probably is part of the airport.

Kimberly from IRM: There's probably a noise ordinance they don't allow amphitheatres and music venues within a certain proximity of residential housing. The article said there were so many trees on the site and the trees will absorb the noise. It's worth checking and finding out what is really going on there.

David Michael: I give you a brief introduction before Steve gets into the details of the transaction. In the last meeting that this came up we talked about briefly about combining the properties in one LLC or LP and refinancing both of them. Getting an allocation of tax credits from the state, raising money with investor backers with the sale of those tax credits. The investor partner would carry 99% owner, and all of us becoming a 1% general partner or managing member. Doing a lot of rehab on both properties, interior, exterior whatever it is that gets designated from study, by a capital needs study, which dictates what that is. We are awarded and get developer fees through that process. Hire a contractor and get all the rehab done. Place the projects in service after they are rehabbed, and then continue to operate them both under one partnership with IRM. The developer fees we have schedules are about 1.7 million. So there's a lot that is available plus the rehab of both properties. Plus I think one of the goals is to put in a community center at Sierra Gardens. That process, is going to take some money to get to the closing, when we know we have a deal. It's not a very difficult deal, it's not very competitive because we're using tax exempt bonds. To go forward it will cost a hundred thousand to two hundred by the time we close escrow and get those monies returned to us. We'll be out of pocket for some time.

Mike Reilly: What do you mean by its not competitive?

David Michaels: The tax credits allocated by the state, you can get twice the amount of credit for 1% and to compete for that with other application, or apply for 4% tax exempt bonds. I'm not saying it's not competitive it's certainly less competitive. I'll let Steve talk about that.

Steve Strain: It's primarily an over the counter program at this point. The trouble with the tax exempt, I say trouble when redevelopment went by the wayside the tax exempt bond and the 4% smaller tax credit, you can't make it pencil without some sort of gap financing. And so redevelopment money becomes a lot less of that gap financing

out there, And basically the state is sitting on almost 2 billion dollars of tax exempt bonds that they've been accumulating since 2011, 2012, that they haven't been able to put out there. And it use to be complete when they and all the RDA money and lots of people that could us it. And since then they've progressively lowered the thresholds. If your restricting units to 50% AMI or 60% AMI or lower and your making some energy efficient upgrades, and you've got a grocery store or school or something in your neighborhood your pretty much meet the threshold at this point. It's pretty much noncompetitive and then if you get the bonds the tax credits go with it. The prerequisite for the tax credits is that you have the bonds and that your profit is financially feasible. And so that's what helps this project work, is that we're still hurting for gap financing in California but you have all the soft money that is already in the deal. Part of the deal from the city, so assuming that existing money from the city can effectively serve as the gap financing.

Mike Riely: Are these being sold to bond brokerage houses on the other end?

Steve Strain: The bond is typically done through a placement by an institution, Well Fargo or something like that.

The soft money from the city cuts both ways, we have certain thresholds that we have to meet by how much bond money we use. We have over 8 million dollars in interest and soft loan existing on this deal. So we have to see what the value was to see if we could build into our budget enough cost over and above that, that we could finance more than 50%. We got a very good appraisal, almost to the value of the soft money, the existing debt in soft money. So that's why we're back because we got a pretty good appraisal and now it pencils, and we can meet that test.

Lyn Barnett: so we have an appraisal on both apartments?

David Michael: I think I sent that to you

Steve Strain: I have a couple copies with me. The combined value came out to 8 million, I don't remember the break down off the top of my head between the two. The total debt and accrued interest, back a couple months ago 8.6 or 8.7, something like that. So it was pretty close. So those are limited appraisals, we didn't commission a full blown appraisal, that would be part of the next process we get. Looking ahead the next step is to engage HUD officially, to talk about doing this. To reach out to HUD formally and schedule a formal concept meeting. Talk to them about what we want to do and sort of nail down the process for how we proceed. The structure we're proposing where we take one existing HUD financed and HUD regulated property and combine it with another property that is not HUD financed or HUD regulated is unusual for them. But they've indicated that they think they can make it work. They said they understand what we are trying to do, and we'll discuss it more at a concept meeting should we engage one, but it sounds like something that they could do. Even though it's a little outside the norm.

Lyn Barnett: does that hurt the section 8 status?

Steve Strain: No. That's part of what we proposed to them. That would be maintained and stay with the project.

Lyn Barnett: So HUD main interest in this is that they see money for refinancing is so we can make improvements that we wouldn't be able to afford otherwise. But fundamentally the reason were financing is the weakened cash flow and to do improvements.

David Michael: We can do the improvements, we can get developer fees, and we can get approval for a better distribution annually than we have now. The rents going to stay pretty much the same. There are things we can do, energy efficiency were we reduce our expenses and increase the cash flow that way.

We should make clear here, the way the 4% program works and it's a weird mathematical formula, it's not something I can do in my head, I have to let excel do it for me. Because we are trying to increase this loan, so that we could close the gap so that we can assume the loans and fund at least 50%, so we had to have some increased

cost. And the deal only works, the more cost we have, the better the deal works for this perspective. So to make it pencil, we were talking about 31 thousand dollars per unit in rehab cost when we were here last time. Now were talking about 40 thousand and that's not a strict in that we have to put 40 thousand dollars into unit. It's an average so if you did want a community center or new sidewalk.

Lyn Barnett: So that gives us a total amount, but we don't have to spend it all on improvement. So from that we can decide on the sidewalk, the community room. Where that can go.

Bucky Fong: probably over the parking lot, because the land coverage. Over the laundry room is just too small.

Lyn Barnett: We're still not sure on the coverage.

Bucky Fong: Last time we had to cut some of the sidewalks and some parking spaces to meet the land coverage.

Lyn Barnett: Some of the land coverage now, TRPA allows some of the land coverage to be transferred in because of health and safety reasons. We have some flexibility now that we didn't have before. We'd really like to have a community room of some sort. What size are you thinking we could build?

Bucky Fong: If we built it over the existing laundry, and get rid of the water heater, maybe make them individually located in each building, it will free up that space. But to build over that far end parking lot where it's flat, you can get a larger building and make those parking spaces underneath the building as a car park space, and can put a small elevator. We tried that before but we couldn't get the funding to do it.

Lyn Barnett: So at what point we need to put into concrete these options. The mention that there needs to be a third party capitol investor. Do they come in and do we them we need these improvement and to look at the rest of the improvements. How does that work?

Steve Strain: What they'll generally do is come in and do an inspection and say these are what you need to improve, and you're going to need to replace in the next five years and the cost to do it now. Carpeting, roofing, they do a unit by unit inspection. Buy carpeting, new appliances. Those can just be strictly needs. Those are what you need for needs, and then as far as these programs go, and HUD is a little bit different so that would be part of the concept meeting to discuss, but generally so long as your rehab budget when you go to tax credits and tax exempt bonds it at least covers what the needs are, if you're going to do more, great!

We get a capital needs assessment back with strictly needs, and you put your budget together as long as you include those needs. And, we've also had a capital needs consultant who works with you in putting together that budget.

Mike Reilly: is there an average HUD increase in rent, is it by universe or by county.

IRM Stacey or Kimberly: It is done by project. HUD sends you all that information, do it by district and by county and averaged by area. Section 8 the residents don't pay more than 30% of their gross income.

Lyn Barnett: That's for Sierra Gardens, evergreen is not section 8. Evergreen is affordable. Do you know what the rents are for a two bedroom apartment?

David Michael: Two bedroom run close to \$700.00 a month. Were restrictive, I think we can go to 80% of median income. Which is somewhat problematic because when this program goes into effect we're going to have everybody at 60% of median income or less. So anyone making more than that is going to have to move, between now and then. But we don't know, we'll have to analyze all the tenants at both apartments.

Lyn Barnett: You mean they might be evicted?

David Michael: They could be evicted, they could be relocated.

Stacy or Kimberly: Well there not evicted so much, as you give them notice that they have to move. They sign an agreement and you assist them in the process. There's a general list that you can provide to them once you give them notice they can apply to see if they are eligible for assistance location assistance. And the move in after they would sign a new understanding where everybody will have an evaluation with the potential rehab refinancing, and may be required to move. Unless there is someone in Sierra Garden Apartments who are making more than 60% or more of the median, they should be good. You look at everyone's income, and evaluate whether they are eligible.

David Michael: I don't think Sierra Gardens would be affected, it's more Evergreen that would be affected.

Kimberly: Affordable house is done for those in need. Some people stay in them for a long time and have the accessible income to have regular housing. And that space is not available for those in need. So it can be presented in that it is not as much of a hardship as they might think it is.

Steve Strain: If you qualify to you are grandfathered in. You can enter an apartment below 60% median income, your income can go up to 140% of median income before you would have to relocate.

Kimberly: I had a recent client that was making 100K a year and paying \$669 a month

Steve Strain: That's the overview. The next step is to engage HUD, that the step that is going to take some time may have a few wrinkles in it. The bond and the USD 538 the tax credits relatively speaking that process is easy. A very fixed process. It takes a couple of months to put the applications together, three month to process it and make an award, and somewhere from three to four months typically to close on the financing and get started. Those are easy to predict and those can all run concurrent. The one that is the precursor to all of that is getting HUD on board, and getting their approval. The process with HUD is streamlined somewhat but your still looking at 9 months to 12 months to get through their process. That would be the next step is to meet with them and find out what their process is going to be.

All these are programs are going to include third party and pre-cost, like David was talking about, market studies, capital needs assessments, appraisal, relocation, and consultant. These are not huge items but they add up. HUD is the one that may have some specific requirements.

Mike Riely: Does HUD select the people that are doing this third party business?

Steve Strain: No, you select them. They do have an agency that they've worked with a lot, were pretty familiar with most of them. If you chose somebody that they haven't worked with before, you have a risk that it's going to take longer, but it's your choice.

David Michael: You know actually were not going to use a HUD insured loan, right? So we're going to pay off the existing HUD insured loan. So the only thing HUD will have is the existing regulatory they now have for the section 8. So it maybe a fairly quick process, since we're paying off their loan.

Steve Strain: When we talked about the section 8 agreement, with them they indicated that OK you just go through this process that we have. They sent a form letter of thing we will discuss, but it could be very simple. Transfer physical assets. The two projects, the bringing two projects together is a little unusual for them.

Lyn Barnett: So the next step is this meeting, when would that meeting occur time wise?

Steve Strain: We would reach out to them, this week or next week at the latest and just state we've had some correspondence with them on this potential concept, and so they are familiar with it, so it would be to just to reach back out to them and say we'd like to set up that meeting whenever they can have it.

Lyn Barnett: In theory I'm in favor of this. But what I'd like to be able to do, because a lot of this is technical and this is a lot for us to digest. And we have to present this to the membership. And I'm glad we did this, but what we

really need is narrative or something. What I'd like to be able to do is to send out, when we're ready, is to send out an email to our members, with a report saying here's what we're going to do. Here's what the current loan and property and how much we owe. Here's what we're going to do and here's the benefit. How these loans work. Tell them about the cash flow but also the construction. We need to have something that the average person, including myself can pick it up and understand, and say I have a pretty good idea of what's going on. If that means lots of references, links to websites to describe what a 538 improvement loan is and give us some resources. That's what I need so that all of us that don't understand, when we go to vote on this, whether we vote up or down are making an informed vote. But we're going to be making a recommendation to our membership. And right now I'd feel like a fool standing there talking to them. Not that I mistrust you, that's not the case. It's just that this is fairly complicated and we need something to be in laymen's terms.

Bucky Fong: I think we ought to have our meeting with HUD first.

Lyn Barnett: I agree.

David Michael: At some point we'll need to create that.

Lyn Barnett: At that point I'm assuming we'll know the results of this third party capital needs assessment. At some point before I go to the membership I should have something that says, you're going to get this repaired in your unit. And we're going to build this.

David Michael: I think you're ahead on certain studies. We could do our own analysis and own unit assessment and do what the capital needs is going to say informally. We can't say here's what we have planned exactly.

Lyn Barnett: Why don't we work backwards. If I've got this big membership meeting that I've got to present this to, and we work backwards from there. And we work backwards from there what are we looking at, three months, a year?

Steve Strain: I think what Bucky said is right, we need to take and engage HUD and see when we can meet with them. From my take assuming we can get a meeting with HUD in the next few weeks, it can be as soon as a couple of months from now.

David Michaels: Yes I'd say probably in April we'd be at HUD's office in San Francisco.

Bucky Fong: Can we get some sort of preliminary market study too? Because the Tahoe rental market is screwy. Because of all the vacation rentals and all the other things. It takes a person that understands that to come up with, to come up with an assessment of the potential need for x number of units of affordable housing or low income houses. But if you go according to the vacancy rate for this area the numbers fall.

Lyn Barnett: The city just updated their housing numbers, and TRPA just completed within the last 12 months an affordable housing needs assessment.

Jesse Walker: I'm an economist and I work for a firm that does urban polling. So I've prepared local impact studies and market studies so I'm trying to get my arms around exactly what type of market study would be involved here. But what I just wanted to say, is that there is those two studies that have a lot of information that is recent. You definitely won't have to start from scratch, because between the City and TRPA, they spent a couple hundred thousand buck on those two studies and they are fairly recent.

Mike Riely: for the record I just wanted to make sure if we do get to that voting stage that we have a proxy, because I don't think this room is going to be jammed packed.

Lyn Barnett: We would have to have that. We would write a letter and send out proxies.

Steve Strain: When he reaches out to the HUD representative he'll ask if we can schedule the meeting there in Sacramento, because he is there every couple of weeks.

Lyn Barnett: We need to really disclose the risk and the benefits, one of the negatives is we'll be sending some people out, and we need to be real clear on all those kind of impacts, it need a narrative form with some tables and figures.

Bucky Fong: I think we need to make it simple, and emphasize were trying to do, were trying to get a rec building, get the apartments upgraded, get rid of the central boiler water heating system. Don't try to make it complicated, because it would be difficult to understand.

Lyn Barnett: Well the members are not just Sierra Garden members, have a lot of other members and business members too. And two reasons again one is so that they can understand it, but also as the board before we can make a recommendation to the membership we need to be able with a straight face say that we understand.

Lyn Barnett: Ok thank you for the appraisal and the update, and thanks for driving so far to come here. I know it's a lot of work, and one of these days we need to schedule a LLC meeting. I think it's our turn to go to Lodi or something. Or maybe Reno. We should start thinking about that.

Why don't you guys send an email to me, with some dates that work for you, and I'll forward them to Charlotte. And Charlotte if i could ask you to coordinate and set the meeting. To talk to all of us and set it up. Does that work for you guys. Maybe we should just set it as Reno. California doesn't care if we meet in Nevada for a California LLC, does it?

David Michael: No.

Lyn Barnett: Just send me an email with some perspective dates.

David Michael: Can we do it at the same time we meet with HUD

Lyn Barnett: Why don't we do that? Well no because the whole board has to be available.

David Michael: Let's do the HUD meeting first though and then schedule the LLC meeting.

Lyn Barnett: We're supposed to have an LLC meeting once a year. The last one was maybe in March.

Lyn Barnett: We're going to meet in closed session: Closed session no minutes.

Lyn Barnett: We're going to come out of closed session: Minutes resume.

Motion to come out of closed session, made by Jesse Walker, and seconded Monsignor Wallace.

Lyn Barnett: We're going to vote on items discussed in closed session:

The first item is a vote to accept the revised settlement agreement, removing Ron Dos Reis from the list of contributors. His contribution was ten thousand dollars and to proceed with, to accept the agreement the settlement without Ron's contribution, but to have it memorialized in the settlement agreement somehow. You can put that in the minutes.

So that's what's on the table, I need a motion:

Monsignor Wallace: I move to make a motion, Motion seconded by Jesse Walker. Vote: all approved

Lyn Barnett: Next item we discussed in closed session, the refinance of the Munoz home, on Tallac. We discussed deferring the first payment on our loan, until May 31, 2015.

Mike Riely: So moved. Seconded by Jesse Walker. All voted yes.

Lyn asked to be involved from beginning in the progress of the loan. Because if they need something, as an organization, it would be a lot faster to get it for them if we know up front.

Lyn Barnett: We discussed in closed session expanding of our bookkeeper role. Mike will work with Cece Bachelder to write a job description for her, which will expand what is expected. It will include budgeting, developing financial procedures and preparing reports in advance of future board meetings among other things.

That's what's on the table, I need a motion for that.

Mike Riely: so moved. Seconded by Monsignor Wallace. All in favor, all voted yes. So we approved that.

Profit and loss will be emailed for informational purpose to the board members after this meeting.

Lyn Barnett: There was a discussion about the use of the second loan funds from Lalo Munoz's house, if we are paid back, the board made a nonbinding vote to use those funds in next year's budget, to pay for an executive director.

Our next meeting is June 1, at 6PM at St. Theresa's parish council meeting room.

Monsignor Wallace led us in a closing prayer.