

**ACTION**  
**MINUTES OF THE REGULAR BOARD MEETING**  
**OF THE**  
**MONTEREY COUNTY HOUSING AUTHORITY**  
**DEVELOPMENT CORPORATION**  
**HELD FEBRUARY 25, 2013**

Directors met at 123 Rico Street, Salinas, CA 93907. The meeting was called to order by Vice Chair Tom Espinoza at 6:55 p.m. Present: Directors Alan Styles (teleconference), Tom Espinoza, Elizabeth Williams, Kevin Healy, Charmaine Scott, Kathy Beuthin and Mary Jo Zenk. Also Present: Starla Warren, President/CEO. Also in attendance HACM staff: Jean Goebel, Executive Director and Lynn Santos, Director of Finance. HDC Staff: Carolina Sahagun, Senior Community Development Planner; Marilyn Rose, Senior Finance Officer and John Shores, Senior Construction Manager. MCHI Staff: John Rose, President. Recorder: Kimmy Nguyen

**COMMENTS FROM THE PUBLIC:** None

**PRESENTATION:** Ms. Warren presented to the Board a short video of the Oak Park Ground Breaking event and the Oak Park construction photos. Director Espinoza explained to the new Board members that Oak Park is a partnership between the Monterey County Housing Authority Development Corporation in conjunction with the City of Paso Robles. Director Williams commented that anytime we are doing something in conjunction with another Housing Authority or County, she feels that it is important that at least one Director be there.

**CONSENT AGENDA**

A. Minutes—Approval of Minutes of the Regular Board Meeting held January 28, 2013

Upon motion by Director Williams, seconded by Director Healy, the Board approved the minutes for the Regular Board Meeting held January 28, 2013. Motion carried with the following roll-call vote:

AYES:	Styles, Espinoza, Williams, Healy, Scott
NOES:	None
ABSENT:	None
ABSTAIN:	Beuthin, Zenk

**NEW BUSINESS**

A. Receive memo regarding general contractor selection on Haciendas Phase II

Ms. Warren stated that she revised the last paragraph of the memo, based on query from a Director to make it clearer for the Board. Ms. Warren explained that HDC did an RFP for a General Contractor for Haciendas Phase II. She stated that both of the bids that were received on November 20<sup>th</sup> were significantly over budget. After checking with legal counsel, both contractors were allowed an opportunity to value engineer their bid. Ms. Warren commented that they came back with different pricing but still significantly over budget. At that time, Ms. Warren inquired with legal counsel if it would be appropriate to approach the contractor who had just completed Phase I because they would be familiar with all the work. Ms. Warren gave a lengthy discussion regarding the price escalation chart to the Board. She stated that she increased the budget anticipating an increase in pricing by 23% from Phase I to Phase II which still came in substantially over that. Both ROEM and Brown's pricing exceeded, however SBI came back with a lower bid which included the price increase on the sheetrock which occurred subsequent to value engineered bids.

Due to the downturn in the economy, Ms. Warren commented that a lot of subcontractors have gone out of business and because of lack of competition, pricing has increased. She further commented that we have this tax credit award and we have to start construction by

April 6<sup>th</sup> or we lose our tax credits. Ms. Warren stated that the need for us to get under contract is significant and it takes several weeks to get a number. From now until April 6<sup>th</sup> there is a substantial amount of work to be done. Ms. Warren stated that we also have to close the construction loan which means a lot of due diligence for equity and lender. UBOC is our equity and construction lender, and CCRC is our perm lender. She further stated that we also have HOME money from the City and deferred impact and processing fees from the City as well. Ms. Warren commented that it is really critical that SBI is awarded and UBOC gets started on their due diligence. Ms. Warren further commented that the increase in construction costs on this project is going to mean that we need to carry a larger debt. It also means we will have to defer some fees that we have not anticipated deferring on this particular project. She stated that Phase I is very flush and it will end up having more cash flow than Phase II. Cost sharing will be done between the two projects so Phase I can benefit Phase II.

To Board queries, Ms. Warren responded that the pricing reflected in the memo are the revised bids from Roem and Brown. She stated that SBI's pricing does include sheetrock and additional lumber increases. Ms. Warren further responded she consulted with our legal counsel, Mr. Eric Danly, regarding the contractor selection. She stated that SBI did not submit an original RFP because their bonding line was tied up so they couldn't get a bid bond until Haciendas I was complete. Ms. Warren responded that the \$9.9k pricing for SBI's does include value engineering and their contract is a bit higher because of the allowance for the community center. She further stated that with the guarantee that all of the finishes in Phase I are included in this number, there would likely be no change orders. Ms. Warren stated that we have \$586,000 contingency which we believe we will not get into because all the changes are already incorporated into the scope of work. She further explained that to the extent there is contingency left over, we can use that to pay down debt, so our short fall or our deferred fee gets paid. Ms. Warren commented that should she need to use the proceeds from the payment on the seller take back on Phase I to defray the offset in Phase II, she can do that. Also if she minimally accesses the contingency that were already counting on having in our hard debt, then she can use that to offset the increase in costs. Ms. Warren stated that this is a timing issue with the market right now and it's not only a sheetrock escalation but it's also a jurisdictional and geographic pricing issue.

To Board queries, Ms. Warren responded that we will not have an opportunity to have new offices on Phase II because the project is already heavily impacted with the escalation so she doesn't want to further burden it by pushing construction on the second story. We have an office but it is not critical for us to have new ones. Ms. Warren further responded that there will be no impact with the community space which will still provide services to CSUMB. The building will be fully equipped with a computer lab, kitchen and property management offices. Ms. Warren continued to respond to query that the offices could still be constructed after but we would still need a funding source. She further stated that her main priority is making sure Phase II gets done. Ms. Warren responded that if she had no time pressure, she would put out another RFP but there is no time. She stated that we only have 180 days from the notice of award of tax credits. Ms. Warren responded to query that there are no concerns with the other two bidders. She further responded that SBI is able to do it much cheaper than the other two bidders because they already know the product. Mr. Shores responded that he thinks it would be another 2-3 years when things will get better with the market. Director Healy wanted to confirm that the bidders who responded to the RFP indicated that they would not come after us and that we have consulted with the HDC legal counsel that the process we used to arrive at SBI is legitimate. Ms. Warren responded yes. He also stated that if we make this decision, we will not be perceiving any liability associated with the decision. Ms. Warren responded was no.

Ms. Warren responded that once the RFP is out, the procurement action is essentially a done deal and now we have the opportunity to go and negotiate with the contractor for Phase I. Director Zenk pointed out that she had asked for some clarification in which Ms. Warren added the last paragraph to the memo. She commented that she wanted to be clear that HDC is not awarding the contract and that it is not our responsibility to approve the construction contract but it is our responsibility as the General Partner to review the process of this selection. Ms. Warren commented that we are not asking the Board to approve the selection; we are just

advising the Board that this is what we are doing on behalf of the limited partner. Director Williams commented that the Finance Committee was able to review this at the meeting. She further commented that she did not like the fact that a Board member can call and asked for something to be changed before it gets to the Board. Ms. Warren responded that this came from the Board Chair. Director Zenk responded that she did not know what the process was so she sent her concerns to the Board Chair. Ms. Warren further responded that she spoke with the Board Chair that she would follow up with Director Zenk. Chair Styles commented that this was more of a clarification. Director Williams stated that the whole staff from both sides, HDC & HACM is very good at being transparent and if they are any changes, they are aware of it immediately.

Ms. Warren directed to the new Board members that there will be some training for the new Directors that the Board members already had. To query, Ms. Warren responded that she did consult with HDC legal counsel on situations like this. Chair Styles commented that he had mentioned to Ms. Warren to have HDC legal counsel there but it was too short of a notice. Director Espinoza mentioned to the new Directors that we did an RFP for the selection of HDC's legal counsel. He commented that they are from Santa Rosa and had the most impressive resume and background. Director Espinoza further commented that it would be nice if the new Directors can meet with Mr. Eric Danly. Chair Styles responded to Director Espinoza that Mr. Eric Danly would be able to appear by phone for any future meetings. Director Espinoza felt that it would be good to have Mr. Eric Danly present at the meeting or by phone if there is something that relates to an RFP or a procedural issue, such as execution of a contract.

## **INFORMATION**

### **A. Monthly Development Report**

Ms. Warren reported that we are leasing up Haciendas Phase I and will be at 100% by the end of the month. At the same time, we are starting on Haciendas Phase II and trying to get it closed by end of March. Oak Park Phase I is starting construction and we are submitting an application to TCAC by March 6<sup>th</sup> for the funding of Oak Park Phase II. To Board query, Ms. Warren responded that all the units are spoken for on Haciendas Phase I. She further responded that we constructed 53 units on Phase I and 46 units on Phase II.

To Board queries, Ms. Warren responded that she is waiting to hear back from Mr. Feinberg about his conversation with the Grower Shipper on H2A, and she will follow up on that. Director Healy commented that if they need any contacts, to send them his way. Ms. Warren mentioned that our marketing firm is Moxxy Marketing and we work with Mr. Terry Feinberg & Ms. Kimbley Craig. Ms. Warren explained that we had previously responded to an RFP for Brockton Massachusetts to offer development services for housing authorities which didn't go through but another opportunity came forward with the Florida Housing Authority. She stated that part of HDC's strategic planning was that we would seek out additional sources of revenue in the form of consulting.

### **B. Property Management Report**

Ms. Goebel commented that there is nothing to add.

### **C. Finance Report**

Director Williams reported that the Finance and Development Committee met and went over the financials. She stated that she doesn't think we have anything to add to it. Ms. Warren mentioned to the new Directors that these are the same reports that are in the HACM packet. She commented that it is a redundant presentation but we need to make sure they are in our packet. Director Williams mentioned that in the Finance and Development Committee, there was discussion about conferences that the Board members go to. She stated that if HDC is paying for the Board to go then she felt that the HDC President or Board Chair should have the authority to sign off on it instead of it all coming from HACM. Ms. Warren responded that a

discussion could be made about the process and procedures. Chair Styles commented that this item should go to future agenda.

To Director Zenk's queries, Ms. Santos responded that on the budget, the \$556k is not budgeted because it is non-cash. It is the Tynan lease which is the land lease between HACM and Tynan. She stated that there is \$175k which is accrued every year and is payable out of cash flow if the project has cash flow. Ms. Santos commented that the difference between the \$165k and \$556k is an accounting requirement to value the 99 year lease. There is an escalating lease of the 99 years so there is an accounting requirement to flat line that so that it is equal payments. Ms. Santos further responded that most of what is budgeted is for above the line expenses. She stated that it is above the line on this report for purposes of stating net operating income, but it is a below the line item. Ms. Santos commented that she will consider changing the look of the budget. Regarding the net operating line, Ms. Santos commented that on the summary there is an adjustment at the bottom that tells you where you really are in terms of debt service coverage ratio but not in terms of budget. She stated that we can add it to the budget.

#### **FUTURE AGENDA ITEMS**

Chair Styles requested that the agenda item for the Finance and Development Committee Appointments be put on the March Board meeting.

#### **DIRECTOR COMMENTS**

Director Styles welcomed the new Directors and commented that he is glad to have them aboard. He is looking forward to their expertise as we go on. To the staff, he thanked everyone for their hard work and commented that we have a lot of great things going.

Director Zenk commented that she is amazed with the amount of work that staff is doing on producing affordable housing.

Director Scott echoed Director Styles comments and welcomed our new Directors. She thanked staff for all the good work that they are doing. Director Scott further commented that putting Monterey on the map in the minds of other agencies is a really good thing.

Director Healy thanked staff and congratulated HDC on Paso Robles. He commented that he wanted to pass compliments to whoever configured the agenda. He stated that the logo looks nice and he likes the way it is organized.

Director Williams commented that the Board members who are going to Washington DC should have received a packet from Ms. Tebbs and the per diems will be available for pick up on March 13th.

Director Beuthin thanked staff for welcoming her to the Board. She further thanked staff for allowing her to come and join this great enterprise.

Director Espinoza welcomed the new Directors and thanked staff for all their hard work. He commented that it is always exciting to hear about the projects and see the change from the old to the new.

#### **ADJOURNMENT**

There being no further business to come before the Board, the meeting was adjourned at 7:47 p.m.

February 25, 2013

Alan Styts  
Chairman

ATTEST:

[Signature]  
President/CEO

MARCH 26, 2012  
Date