



BOARD MEETING

November 13, 2019

FRAMEWORK FOR DECISION MAKING

When evaluating decisions or determining what matters BHP should spend time on, in accordance with our fiduciary duties to always act in the best interest of the organization, we consider the following questions:

- 1.** Does this idea/action item further the goals of the organization?
- 2.** Is this relevant and helpful for our constituents/customers?
- 3.** What is the impact on staff?
- 4.** What is the impact on budgets?
- 5.** Is it strategic or operational?
- 6.** Is this within our span of control?



Board of Commissioners Meeting

Location: 4800 Broadway, Boulder, CO 80304
November 13, 2019 ▪ 9:00 a.m. - 11:30 a.m.

AGENDA

9:00-9:15	Standing Agenda and Meeting Items	Page #
	1. Call to Order and Determination of a Quorum	
	2. Public Participation	
	3. Approval of Minutes from October 16, 2019	2
	4. Finance and Operations Update	8
9:15-11:00	Meeting Agenda	
	1. 2020 Budget Draft	10
	2. Mt. Calvary Land Purchase – Resolution #19-16	31
	3. Consideration of Strategic Framework for Adoption	35
11:00-11:30	Board Matters	
	1. Resident Representative Council Update	
	2. Board Announcements	
	3. Additions to this Agenda	
	4. Future Board Items and Board Calendar	37
11:30	Adjournment	

BOULDER HOUSING PARTNERS
Meeting of the Board of Commissioners
October 16, 2019 9:00 a.m.
4800 Broadway, Boulder, CO 80304

Commissioner Soraci
Commissioner Levy
Commissioner Adams
Commissioner Klerman
Commissioner Walker
Commissioner Harris
Commissioner Griffin
Commissioner McCord
Commissioner Yates

Jeremy Durham
Penny Hannegan
Jodi Bogen
René Brodeur
Laura Sheinbaum
Tim Beal
Karen Kreutzberg
Karin Stayton
Daniel Nuñez
Jason Acuña

Others Present:
Dave Heisterkamp
Willa Williford
AllyCatherine Wild
Shelly Bobbins
Adam Swetlik
Masyn Moyer

I. Call to order and Determination of a Quorum

Commissioner Soraci called the meeting of the Board of Commissioners to order at 9:02 a.m. A quorum was declared.

II. Public Participation

AllyCatherine Wild, a resident at Glen Willow, stated that she was given a demand for compliance or possession based on false claims. BHP will follow up with Ms. Wild regarding this incident.

Commissioner Yates asked about the timeframe for the Glen Willow construction. Laura Sheinbaum said that we are 25% complete at this point and we anticipate finishing up in April/May 2020.

Shelly Bobbins, a resident at the Foothills Community, said that for the past 5 months, she has been reaching out to BHP and attending Board meetings to discuss how BHP is handling different resident situations. BHP staff will follow up with these individual situations and making sure that staff are following BHP policies and protocols.

Commissioner Harris introduced Adam Swetlick, Chair of the Housing Advisory Board, and Masyn Moyer, Housing Advisory Board member.

III. Approval of the Meeting Minutes

Consent agenda items approved:

1. Minutes from 9-11-2019
 - a. Commissioner Levy stated that her comment on the election season was in regard to bringing the topic on the table and that candidates could benefit from a briefing on how BHP works and its relation to the City of Boulder.

- b. Commissioner Harris asked for the amount of the line of credit that was paid down by BHP to be included.
 - Line of credit paid off in July: \$6,720,695
 - Current line of credit available \$9,592,000
- c. Commissioner Walker clarified that the insurance policy was specifically for hail damage and that the deductible was hugely increased. As a result, we are looking into self-insurance and analyzing the situation. Half a million dollars has been set aside for this sole purpose.

COMMISSIONER LEVY MOVED TO APPROVE THE MINUTES FROM 9-11-2019.

COMMISSIONER GRIFFIN SECONDED THE MOTION. The motion to approve the minutes passed unanimously.

IV. Finance and Operations Update

Financial Report

Jodi Bogen gave an overview of the August financial dashboard and answered questions from the Board.

We are maintaining a strong review of occupancy rates by affordable units since the market is getting tighter and we have increased our advertising efforts. The Board discussed that a LIHTC program is advertised as an interest list, Public Housing as a waitlist, and the Housing Choice Voucher Program as a lottery.

The Board mentioned that the mainstream voucher occupancy rates have increased from 82% to 88% since July 2019. Of the 22 housing first vouchers that come from the Continuum of Care Grant, we are at 100% occupancy rate. With our partnership with the City of Boulder for permanently supportive housing, in January 2018 we received funding to house an additional 8-12 participants; we are currently supporting 14 participants with that funding. The City gave us additional funding in June 2019 to expand the program for an additional 18. The City did take to City Council for approval of an additional 18 spots for 2020. In total we will have 48 vouchers.

The Commissioners asked about occupancy rates, which are at the lower end of our target, and how much flexibility we have in our budget on the operating side in case we had to drop rents substantially. Jeremy mentioned that we would have some indicators for that.

V. Meeting Agenda

Resolutions #19-10 & #19-11: 30Pearl Closing

Laura Sheinbaum presented on 30Pearl. Laura stated that there will be 120 units in 3 buildings in two different locations at the 30Pearl site. It is a 4% and state tax credit program, which we were awarded in May 2019. Closing in a couple of weeks enables us to get \$4.2MM in QCT (Qualified Census Tract) value, which is a boost in tax credits. The census tract identifies different locations in a city that can be difficult to develop. They are

encouraging development in those areas by providing a boost in tax credits. The City of Boulder has provided land and inclusionary housing funds in the amount of \$9.5MM.

Jeremy stated that we are working with consultants to understand how successful this project is and if we can replicate it in the future in terms of investment per unit. We also want to capture the depth of affordability; a fourth of the site is at or below 30% AMI. It also has very livable units, with much bigger sizes. We are introducing new metric: *Rent Burden Relief*, which is the delta between what the market rate rents would be and what the affordable rents as deed restricted are. Livable 30% AMI units would be a bigger investment but would also provide the most community benefit.

We renegotiated the interest rates and the anticipated closing date is November 7, 2019. We are entering into a partnership with Boston Capital and JP Morgan Chase for the development, and the lender is FirstBank. BHP is the developer, property manager, and general partner.

COMMISSIONER WALKER MADE A MOTION TO APPROVE RESOLUTION #19-10, COMMISSIONER MCCORD SECONDED THE MOTION. The motion passed unanimously. This includes the authority to make minor technical correction if necessary.

COMMISSIONER LEVY MADE A MOTION TO APPROVE RESOLUTION #19-11, COMMISSIONER WALKER SECONDED THE MOTION. The motion passed unanimously.

Resolution #19-12: Private Activity Bond Inducement

Laura explained that BHP is planning to issue Private Activity Bonds (PABs) for several 4% LIHTC projects for 2020 and 2021, including renovations for Madison and Woodlands and the construction of Mt. Calvary. The application to the State of Colorado Department of Local Affairs (DOLA) to request the PAB Cap is on November 1, 2019.

Laura mentioned that we will begin the process of taking Madison out of Public Housing. We will also reinvigorate the project of Mt. Calvary in January 2020 once the church has exited the property.

COMMISSIONER KLERMAN MADE A MOTION TO APPROVE RESOLUTION #19-12, COMMISSIONER YATES SECONDED THE MOTION. The motion passed unanimously.

Resolution #19-13: Approval of Moving to Work Annual Plan for HUD Submission

Karen Kreutzberg said that the Housing Choice Team held a public hearing on September 18, 2019 – there were no attendees. Karen mentioned that for the Family Self-Sufficiency (FSS) program, Boulder County Housing Authority has over 100 slots, and BHP has 35 of those at Woodlands. Karen stated that we are ready to submit the 2020 plan including the FSS rent and escrow calculations.

COMMISSIONER HARRIS MADE A MOTION TO APPROVE RESOLUTION #19-13, COMMISSIONER GRIFFIN SECONDED THE MOTION. The motion passed unanimously.

Resolution #19-14: 2020 Housing Choice Voucher Payment Standards

Karen Kreutzberg explained that the payment standards is what HUD issues every year, which specifies how much the voucher is worth. For the year 2020, the payment standards have increased by 10-12%. Karen explained that she met with both the Boulder County Housing Authority and the Longmont Housing Authority and they are in line with keeping standards, which will reduce confusion for landlords throughout the area.

Dave Heisterkamp explained that there is a disparity in the two markets. Tax credit projects is affordable housing as envisioned by the IRS. Section 8 is affordable housing as envisioned by HUD. The tax credit is designed to get private money into affordable housing. HUD is to take government money and give it to private landlords.

COMMISSIONER KLERMAN MADE A MOTION TO APPROVE RESOLUTION #19-14, COMMISSIONER LEVY SECONDED THE MOTION. The motion passed unanimously.

Presentation: Sale of Orchard House to Realities for Children

Tim Beal introduced Sydney Bergen, the Executive Director of Realities for Children Boulder County, to the Board of Commissioners.

Sydney presented on Realities for Children (RFCBC) and the organization's mission to support young adults who come from a background of abuse, neglect, and/or foster care so that they become empowered and be positive contributors to the community. Sydney explained that the Polaris House (Orchard House) is designated a group home, which provides safe, sober, supportive, and affordable transitional housing and independent living services to 165 Boulder County youth between the ages of 12 and 24. RFCBC provides these services through scholarship programs, emergency funds, affiliate agency support and also builds community awareness.

EXECUTIVE SESSION

COMMISSIONER MCCORD MADE A MOTION TO RECESS INTO EXECUTIVE SESSION PER COLORADO STATUTE CRS-24-402 (4)(a) TO DISCUSS REAL ESTATE MATTERS. COMMISSIONER YATES SECONDED THE MOTION. The motion passed unanimously.

The Board recessed at 10:55 am into Executive Session as per Colorado Statute C.R.S. 26-6-402(4)(a) to discuss Real Estate Matters.

COMMISSIONER HARRIS MADE A MOTION TO ADJOURN THE EXECUTIVE SESSION OF THE BOARD OF COMMISSIONERS. COMMISSIONER YATES SECONDED THE MOTION. The motion passed unanimously.

The Board met in executive session for 7 minutes at which time the only matters discussed were those related to Real Estate matters.

COMMISSIONER HARRIS MADE A MOTION TO APPROVE RESOLUTION #19-15, COMMISSIONER YATES SECONDED THE MOTION. The motion passed unanimously.

VI. Board Matters

Resident Representative Council Update

Commissioner Griffin reported for the Resident Representative Council. BHP staff mentioned that residents at Canyon Pointe will be notified when the laundry room will be out of service due to the construction. Also, the property is on schedule to get machines at the laundry room that takes both coins and cards.

Board Announcements

Commissioner McCord said that she attended the Housing Colorado Conference and encouraged other members to attend.

Additions to the Agenda

There were no additions to the agenda.

Future Board Items

Commissioner Yates mentioned that there will be an orientation for the new City Council members the week after the elections. The commissioners discussed that BHP staff could coordinate with the City to include a presentation on the role that BHP has in the city of Boulder.

VII. Adjourn

COMMISSIONER MCCORD MADE A MOTION TO ADJOURN THE MEETING OF THE BOARD OF COMMISSIONERS. COMMISSIONER HARRIS SECONDED THE MOTION. The motion passed unanimously.

The meeting of the Board of Commissioners adjourned at 11:21 a.m.

Seal

DATE: 10/16/2019

Valerie Soraci
Chairperson, Board of Commissioners
Boulder Housing Partners

Jeremy Durham
Executive Director

Jason Acuña
Recording Secretary

FINANCE SUMMARY

As of September 2019

Boulder Housing Partners Benchmark Report as of September-2019

Net Income

	YTD Actual	YTD Budget	% Diff
Income	28,735,539	25,843,973	11%
Expense	(23,030,985)	(24,262,893)	5%
Asset Sales	24,525,388	\$ 3,000,000	
Net Income	30,229,943	4,581,080	

Debt Service Coverage Ratio

1.52

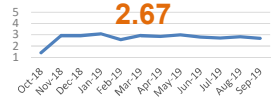
BHP Target 1.15

Balance Sheet Summary

	Actual Sep-19	Actual Dec-18	Net Change YTD
Assets	208,020,849	181,066,073	26,954,776
Liabilities	(91,670,287)	(94,029,273)	2,358,986
Equity	116,350,562	87,036,800	29,313,763

BHP Quick Ratio

2.67



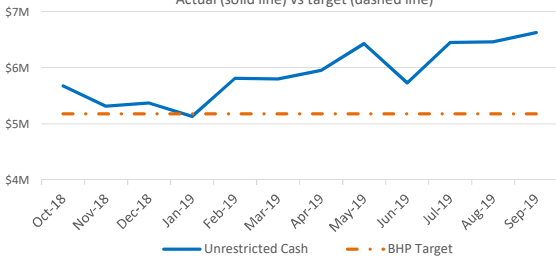
BHP Target: > 2.0
Unrestricted cash / current liabilities

Maintenance

Unit Turns: **10.0** Average days to complete **257** turns YTD Work Orders: **2.9** Average days to complete **9026** work orders YTD

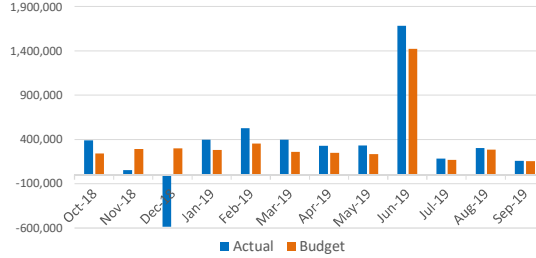
BHP Unrestricted Cash, Last 12 Month

Actual (solid line) vs target (dashed line)



Sept-2018 - \$500k Palo Dev Fee, \$1.5MM cash trsfr for 2037
Oct-2018 - \$2.7MM 2037 Walnut LOC payout
June 2019 - Trio closing, net cash \$2.4MM

BHP Property Operational Income



Dec-2018 - \$1.48MM Year End Pension Adjustments
June 2019 - \$1.354MM Developer Fee Income for Canopy & West End

PUPA

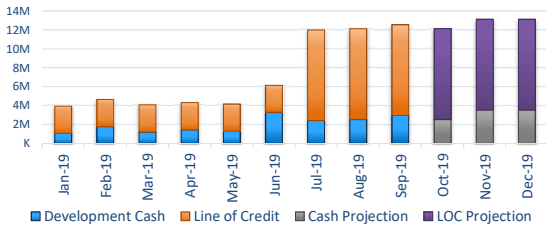
\$6343

BHP & TC Units

Unit Mix

AMI	BHP	LIHTC
PH/PB	47	395
30%	12	48
40%	38	65
45%	0	17
50%	158	142
60%	149	21
Market	312	0
Total	716	688
All Units	1404	

BHP Development Equity



Development Equity Notes

Nov '18 - Rec'd \$450k Developer Fees from Palo & Ciclo, Purchased 2037 Walnut
Dec '18 - Received \$550k COB for Cedar Casey
Feb '19 - Received \$1MM from COB for 30 Pearl
Jun '19 - Closing on Trout Farms, West End and Conopy
Jul '19 - Pay off \$6M Line of Credit with closing proceeds from West End

Operating Reserves

Current Operating Reserves

3,812,703

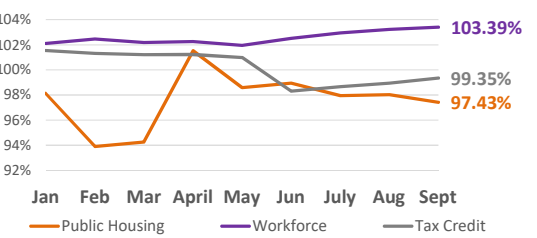
2019 Annual Expenses

15,436,188

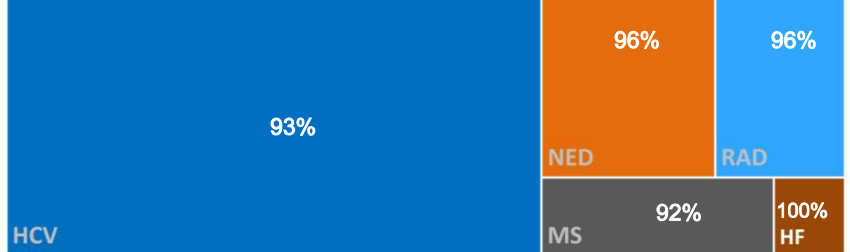
3 Months

of annual operating expenses are covered by the current operating reserves.
BHP Target is 2 Months

% of Budgeted Net Tenant Rental Income Received



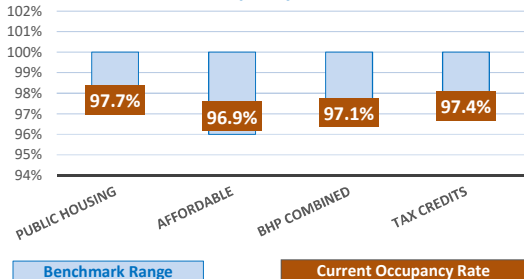
Housing Choice Voucher Occupancy by Program



Housing Choice Voucher Notes

HCV - 756 Housing Choice Vouchers
RAD - 135 Rental Assistance Demonstration Vouchers
NED - 181 Non-Elderly Disabled Vouchers
MS - Mainstream 50 + 28 Vouchers
HFP - 22 Housing First Vouchers
**COB - City of Boulder Voucher Funding - not shown in graph
As of 9/30, this program has funded 19 vouchers.

BHP Occupancy Rates YTD



MEMO

To: Board of Commissioners
From: Jeremy Durham and Jodi Bogen
Date: November 13, 2019
Re: 2020 Draft Operations Budget

Summary

We present our draft 2020 budget for discussion and direction at this November meeting, with final budget adoption scheduled for the December 11, 2020 meeting. We encourage and welcome any and all questions you may have.

BHP uses a Generally Accepted Accounting Principles-presentation format with both property specific and consolidated financial statements ending with Net Income (Loss). Supplemental information is provided “below the line” to provide the Board and management with a more complete operating cash presentation.

The consolidated BHP draft budget for calendar year 2020 shown below is compared to a Rolling 12 months Actual; October 2018 through September 2019, in lieu of the prior year budget due to significant property dispositions of Canyon Pointe and Glen Willow, sold to LIHTC ownership during 2019. The rolling 12 months actuals reflected below excludes Canyon Pointe and Glen Willow’s financial activity to provide a comparable analysis to the 2020 Budget.

BHP Consolidated Budget	2020 BUDGET	Rolling 12 months actuals; Oct 2018–Sept 2019	Change in Income Increase (Decrease)	%
Operating Revenue	\$ 16,273,395	\$ 15,535,519	\$ 737,876	5%
Operating Expenses	\$ (13,072,573)	\$ (12,446,126)	\$ (626,447)	-5%
Net Operating Income	\$ 3,200,822	\$ 3,089,393	\$ 111,429	4%
Voucher Revenue - Federal / Local	\$ 11,104,068	\$ 9,839,343	\$ 1,264,725	13%
Voucher Expense - Federal / Local	\$ (11,103,708)	\$ (9,839,343)	\$ (1,264,365)	13%
Capital Grants	\$ 6,002,707	\$ 8,141,091	\$ (2,138,384)	-26%
Development Fees	\$ 1,854,349	\$ 1,427,349	\$ 427,000	30%
Interest Income	\$ 1,952,514	\$ 1,707,679	\$ 244,835	14%
Depreciation Expense	\$ (4,554,428)	\$ (4,443,095)	\$ (111,333)	-3%
Non Capital Reserve Spending	\$ (141,600)	\$ (353,601)	\$ 212,001	60%
Mortgage and Other Interest Expense	\$ (2,687,637)	\$ (2,782,955)	\$ 95,318	3%
Gain (Loss) on Sale of Capital Assets	\$ -	\$ 1,545,215	\$ (1,545,215)	-100%
Total Non-Operating Rev/Exp	\$ 2,426,265	\$ 5,241,683	\$ (2,815,418)	-54%
Net Income	\$ 5,627,087	\$ 8,331,076	\$ (2,703,989)	-32%
Debt Principal	\$ (1,438,706)	\$ (1,299,662)	\$ (139,044)	11%
Tax Credits cash flow; reduces soft debt	\$ 999,706	\$ 925,094	\$ 74,612	-8%
Development Equity funding to Operations	\$ 250,000	\$ -	\$ 250,000	-100%
Replacement Reserves Funding	\$ (371,171)	\$ (351,413)	\$ (19,758)	-6%
Other Adjustments to Operating Cash Basis Reporting	\$ (5,055,303)	\$ (7,436,814)	\$ 2,381,511	-32%
Contribution to Operating Cash	\$ 11,614	\$ 168,282	\$ (156,668)	-93%

The 2020 column, darker highlighted items shown above, are the main contributors to deriving the 2020 Contribution to Operating Cash.

Development Equity funds have been separated from Operating Cash as of 2018. Developer Fees and Capital Grants funds are significant sources of revenue, \$7,087,056 and \$10,051,147 for 2020 and 2019 respectively that are transferred to the Development Equity fund and are used to fund gap financing for LIHTC closings or the acquisition of real estate.

With a breakdown of Adjustments to Cash Basis Reporting as follows:

Adjustments to Operating Cash Basis Reporting	2020 BUDGET	Rolling 12 months actuals;	Difference	%
Net Income	\$ 5,627,087	\$ 8,331,076	\$ (2,703,989)	-32%
Adjustments to Net Income				
Plus:				
Amortization & Depreciation	\$ 4,554,428	\$ 4,443,095	\$ 111,333	3%
Predevelopment expense paid in prior years	\$ -	\$ 132,787	\$ (132,787)	-100%
Tax Credits cash flow; pay down of soft debt	\$ 999,706	\$ 925,094	\$ 74,612	8%
Development Equity funding to Operations	\$ 250,000	\$ -	\$ 250,000	100%
Non Capital Expenditures funded by Reserves	\$ 141,600	\$ 353,601	\$ (212,001)	-60%
Less:				
Debt Principal	\$ (1,438,706)	\$ (1,299,662)	\$ (139,044)	11%
Soft Debt interest from Tax Credits	\$ (1,894,275)	\$ (1,642,886)	\$ (251,390)	15%
Replacement Reserves Funding	\$ (371,171)	\$ (351,413)	\$ (19,758)	6%
Mortgage prepayment; Trout Farms	\$ (770,000)	\$ -	\$ (770,000)	100%
Gain (Loss) on Sale of Assets; non cash	\$ -	\$ (672,264)	\$ 672,264	-100%
Total Transfers to Development Equity Fund	\$ (7,087,056)	\$ (10,051,147)	\$ 2,964,091	-29%
BHP net change in OPERATING Cash	\$ 11,614	\$ 168,282	\$ (156,668)	-93%

We are pleased to report that our 2020 Budget (Draft) shows a projected Net Income of \$5,627,087 and a net positive Operating Cash of \$11,614. This compares to the Rolling 12-Month Actuals net income of \$8,331,076 and an increase in Operating Cash of \$168,282. We are currently developing the financial details for the conversion of Madison and Woodlands to a tax credit ownership in 2020 but project a \$11 million gain on sale of those assets.

This gain will not result in cash flow to BHP, as seller carryback loans will be factored into the financing after payoff of the Woodlands mortgage of approximately \$2.5 million. Since the Gain on Sale of Assets is a noncash transaction and applications to DOLA are still pending, this transaction is not included in the 2020 budget.

This significant \$2,703,989 decrease of Net Income vs. the Rolling 12 Month's Actuals are mainly derived from a \$2,000,000 reduction in Capital Grants, the 2019 \$850,000 cash Gain on Sale from the Cornell House, offset by a \$427,000 increase in developer fees.

Summary & Questions for the Board

This budget will meet our needs in 2020. The work ahead is to continue to manage expenses, increase revenue, monitor cash position, look for new development or acquisition opportunities and continue to reposition assets to be able to sustain our mission over the long term.

With this budget we are asking the Board to approve the following. We welcome your questions on all:

- 2020 Budgeted BHP operating expenses level of \$24,196,281 including Housing Assistance Payments (before depreciation) – Exhibit 1
- 2020 Mortgage Interest Expense of \$2,687,637
- Reserve funding and target levels – described in Section 10
- 2020 Tax credit budgets with operating expense level in aggregate of \$8,779,602- Exhibit 2

Questions for the Board to Consider:

1. Are the general budget assumptions appropriate?
2. Do you support the Operating Reserve target of \$3,000,000 and Replacement Reserve target of \$3,500 per unit consistent with prior years?
3. Do you support reflecting \$250,000 use of unrestricted Development Equity Funds to balance projected 2020 operating cash? This use will be dependent upon actual cash need.
4. Do you support the average 5% cap on market rate rent increases and 4% for affordable rents?
5. Do you support maintaining a separate Insurance Reserve to mitigate risk due to higher insurance deductibles?

1. Section 1 – Design and Process Overview

1.1. 2020 Budget Design

A dominant design characteristic of the BHP budget continues to be the challenge of reflecting the impact of Moving to Work (MTW). HUD requires us to account for all MTW programs and related net assets separately from Non-MTW HUD programs and BHP programs. While each area will be discussed separately in this document, we are providing color coding for ease of understanding. The columns with gold headings represent MTW programs. Non-MTW voucher programs are columns with blue headings. BHP owned properties are columns with purple heading, BHP cost centers are in pink and the total BHP budget is in green. The tax credit properties are separate legal entities and have individual budgets that are

not included in the BHP budget. The individual tax credit budgets are attached as Exhibit 2 for your consideration.

The following chart provides the details of what is included in each program using the color coordination described above.

Moving to Work		Non MTW Programs		BHP Properties	
Program	Units/Vouchers	Program	Units/Vouchers	Program	Units/Vouchers
Public Housing		Non MTW Vouchers		Workforce	
Arapahoe Court	14	Mainstream; added 28	78	101 Canyon	5
Madison -9 mos 2020	25	NED	181	2037 Walnut	26
Total PH:	39	RAD	135	Arapahoe East	11
Section 8 (HCVP)		Housing First	22	Cedar / Casey	19
HCVP	756	City of Boulder	30	Bridgework	123
		Total Non MTW:	446	Broadway East	44
Tax Credit Properties not included in BHP budget				Dakota Ridge	13
Boulder Communities	279			Foothills	74
Broadway West	26			Hayden Place 1&2	30
Canopy -6 mos 2020	41	<<new units		Midtown	13
Ciclo; 9 mos	38	<<new units		Sanitas Place	12
HighMar	59			Tantra Lake	185
Holiday	49			Twin Pines	22
Lee Hill	31			Trout Farms	31
Palo Park	35			Vistoso	15
Red Oak Park	59			Whittier Apts	10
West End	116			Woodlands -9 mos 2020	26
Westview	34			Total Workforce Units	659
Madison -3 mos 2020	8			Central Office Cost Center	
Woodlands -3 mos 2020	9			Administration/IT	Property Management
Total Tax Credit:	784			Finance	Resident Services
30 Pearl	120	<<under construction until 2021		Development	Maintenance
Total Tax Credit:	904			Human Resources	Sustainability
				Asset Management	4800 Broadway Building
SUMMARY					
	BHP Owned Units	Tax Credit Units (excl 30 Pearl)	Total Units	Vouchers	Total Units and Vouchers
Total Portfolio 2020	698	784	1482	1202	2684
Total Portfolio 2019	730	673	1403	1182	2585
Increase (decrease)	-32	111	79	20	99

1.2. Assumption Relating to New Units

Unit changes included in 2020:

- Conversion from BHP to Tax Credit ownership; 69 units at Madison and Woodlands; quarter 4, 2020.
- 38 new construction Tax Credit units at Ciclo, quarter 2, 2020.
- 41 new construction Tax Credit units at Canopy @ Red Oak Park, quarter 2, 2020
- 20 additional vouchers for City of Boulder programs

1.3. Budget Process

The 2020 budget was prepared property by property using the assumptions outlined in each program discussion below. The budget includes:

- BHP Financial Management Policies which govern the creation of this budget,
- Detailed budgets for each HUD program segregated into Moving to Work (MTW) programs and Non-MTW voucher programs,
- Detailed budgets for each BHP-owned property,
- Central Office Cost Center budgets including administration, human resources, technology, finance, asset management, property management, maintenance, resident services, sustainability, development projects and development administration,
- Five-year capital reserves plan, and
- Eleven Tax Credit Budgets (not included in the BHP consolidated budget). Though we project conversion of 69 BHP units to a new tax credit, no budget will be prepared at this time. Once an investor is determined, we will finalize that new tax credit budget.

The Board's approval of the 2020 Budget will adopt all documents by reference.

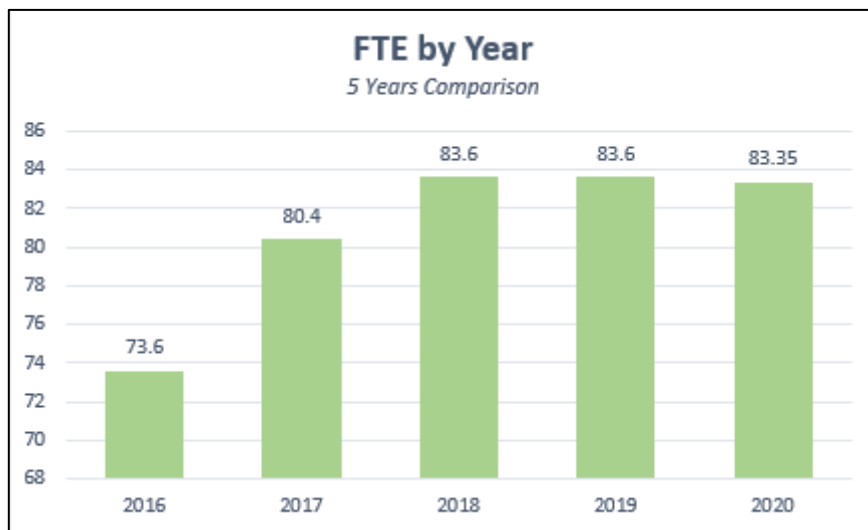
1.4. BHP Financial Management Policies

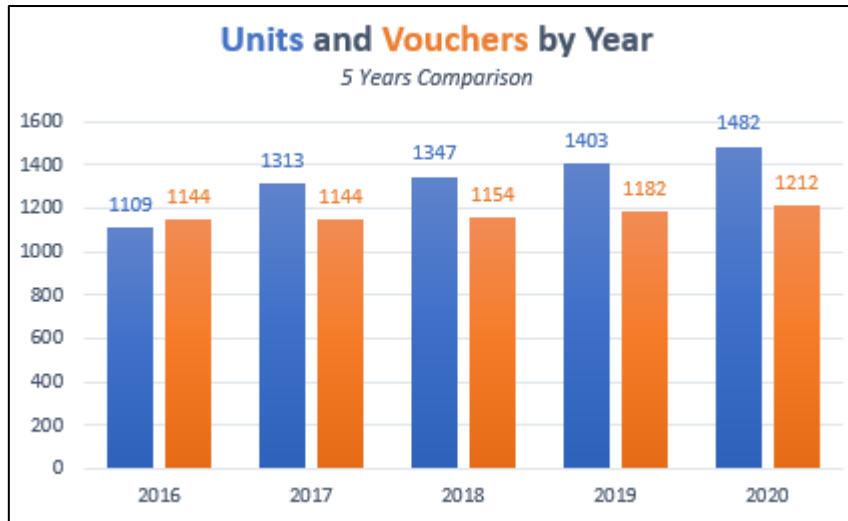
The financial policies that govern the creation of the budget including Revenues, Fixed Assets, Reserves, Debt and Investments. The following terms and provisions of BHP's Financial Management Policies are applicable to this budget. BHP's staff will work to update BHP's Financials Management Policies in the first and second quarter of 2020, following adoption of BHP's updated Strategic Framework.

- Fiscal Year – Boulder Housing Partners has adopted the calendar year ending December 31, for its fiscal year.
- Annual Budget Process - The preparation process shall be established by the Executive Director and Chief Financial Officer. The budget process for the next fiscal year shall be timed such that a first reading is presented to the Board of Commissioners ("Board") no later than the November meeting of the Board and a second and final reading and presentation of a resolution of acceptance and approval is presented at the December meeting of the Board. Board approval of the budget is deemed approval of the associated expenses. No specific appropriation of funds is required for specific programs or budget line items.
- Budget Submittal –Net income will be adjusted to a cash basis by excluding non-cash revenues and expenses and including cash receipts and disbursements not affecting revenue or expense. After adjustment to cash basis, the Annual Budget shall be balanced. That is, budgeted operating cash expenditures will not exceed the reasonable projection of current year cash receipts.

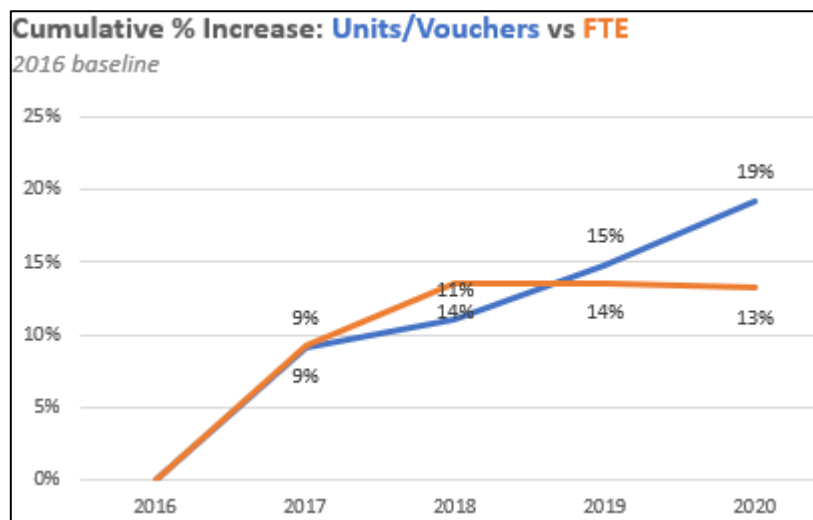
- Management authority to act – Management has the authority to act within the overall spending limits of the operating budget. Management is not constrained by individual line items, only by the overall budgeted operating expenditures.
- Capital Budget – The Board approves a five-year capital projection as part of the annual budget process. This approval is only approval of general reserve levels and not specific authorization to proceed on any specific project. Any capital project expected to cost more than \$100,000 must come back to the Board for specific approval. Smaller capital items costing less than \$100,000 can proceed at the discretion of the Executive Director.
- Changes to Adopted Budget - Changes to the adopted budget should be rare and limited to material changes in direction or focus of the organization rather than line item adjustments unless a material error in the budget process is discovered after approval by the Board or the Board approves a material additional use of operating reserves for unbudgeted operating expense in the current year. “Material” as used in this Section 2.6 is defined as \$100,000. Any proposed change will be clearly documented and brought to the Finance Committee of the Board for discussion prior to presentation to the Board for approval. Upon approval, a revised submission to HUD of form 52574 is required in the event there is a material change to the Public Housing budget.

2. Section 2 - Overview of Staffing Related to Number of Units & Vouchers





The following chart shows the cumulative percentage increase in staff and the percentage increase in Units and Vouchers over the last 5 years.



	2016	2017	2018	2019	2020
Full Time Employees	73.6	80.4	83.6	83.6	83.35
Cumulative % Increase	0%	9%	14%	14%	13%
Total Units/Vouchers	2253	2457	2501	2585	2684
Cumulative % Increase	0%	9%	11%	15%	19%
Units per FTE	30.6	30.6	29.9	30.9	32.2

We have been able to increase the services we provide to our families and seniors over the last five years while managing the FTE growth in line with the portfolio growth. Projecting forward for the next three years we would expect growth in FTE to be directly related to growth in our portfolio.

As a rule of thumb, for each 90-100 units added we project 2.5 additional FTE; 1 property manager, 1 maintenance support and .5 resident services coordinator (or approximately \$170,000 of salary and benefits). This ratio will be affected by the number of units per property, geographic area of the property and the population served. These additional FTE will have revenue sources from the property operations to offset the additional expense.

3. Section 3 –Moving To Work

3.1. General Description

Moving to Work	
Program	Units/Vouchers
Public Housing	
Arapahoe Court	14
Madison -9 mos 2020	25
Total PH:	39
Section 8 (HCVP)	
HCVP	756

MTW is currently composed of 756 Housing Choice Vouchers, 39 units of Public Housing factoring conversion of 33 units in Quarter 4 of 2020, the Public Housing Capital Fund Program (CFP), and administrative costs of MTW. These programs are each funded by HUD, but once we receive the funds, they can be spent on any of the MTW programs. The unfunded administrative costs of certain MTW activities can be paid for with revenues from the other MTW programs (e.g., CFP can pay for unfunded administrative costs) to bring the total to net zero cash flow.

3.2. Financial Summary

MOVING TO WORK PROGRAMS	Public Housing/CFP	S8 HCVP	MTW Admin	2020 Total Budget	Rolling 12 months actuals; Oct 2018-Sept 2019	Change in Income Increase (Decrease)
Total Rental/HAP Income	\$ 413,029	\$ 8,044,003	\$ 912	\$ 8,457,944	\$ 7,320,637	\$ 1,137,307
Total Expenses	\$ 379,051	\$ 8,045,296	\$ 93,018	\$ (8,517,365)	\$ (7,611,321)	\$ (906,045)
Net Income (Loss)	\$ 33,978	\$ (1,293)	\$ (92,106)	\$ (59,421)	\$ (290,683)	\$ 231,262
Adjustments for Cash Basis						\$ -
Plus:						\$ -
Amortization & Depreciation	\$ 55,310	\$ -	\$ -	\$ 55,310	\$ 65,790	\$ (10,480)
Capital Grant Income	\$ 482,707	\$ 1,200,000	\$ -	\$ 1,682,707	\$ 1,597,496	\$ 85,211
Less:						\$ -
Net Operating Transfers	\$ (574,707)	\$ (1,200,000)	\$ 97,037	\$ (1,677,670)	\$ (1,380,661)	\$ (297,009)
Net Increase (Decrease) to Cash	\$ (2,712)	\$ (1,293)	\$ 4,931	\$ 926	\$ (8,058)	\$ 8,984

3.3. Budget Assumptions:

- Operating Subsidy for public housing is assumed to be consistent with the prior year reduced by the conversion of Madison units toward the end of 2020.
- Housing Choice Voucher - Housing Assistance Payments (HAP) funding based on 2019 budget authority and forecasted HAP expense.
- Housing Choice Voucher administrative fee funding based on estimated unit months leased and an assumption of 75% proration of published rates based on NAHRO estimates.
- HUD Capital Fund Program (CFP) anticipate available 2020 CFP of \$662,000;
 - \$180,000 is planned for Operating grant to fund operating deficit at both public housing and MTW administrative costs.
 - \$242,000 remaining will be drawn for a potential acquisition.
 - \$240,000 carryover of 2019 CFP funds will also be drawn for a potential acquisition.

4. Section 4 – Non-MTW Voucher Programs

4.1. General Description

Non MTW Vouchers Program		Vouchers
Mainstream		78
NED		181
RAD		135
Housing First		22
City of Boulder		30
Total Non MTW:		446
Non MTW Grants		
Special Needs Assistance Program (SNAP); Holiday	\$	36,223
Lee Hill grant for Services	\$	180,082

The Non-MTW Voucher Programs consists of vouchers and grant programs funded by HUD and more recently, the City of Boulder, that are outside the MTW program and required to be reported separately from the MTW program. For the purposes of voucher count, we have included 30 permanently supportive housing vouchers that are funded by the City of Boulder. The funding for a third tranche of funding for additional vouchers is still under City review, hence that increase has not been included in the budget. We anticipate approval of an additional \$350,000 award which will serve 18 permanently supportive housing vouchers along with supportive services. The additional funding will bring the City of Boulder funded voucher count to 48.

4.2. Financial Summary

NON-MTW VOUCHER AND GRANT PROGRAMS	2020 Total	12 Month Actuals	Diff
Total Revenue	\$ 4,246,578	\$ 3,591,424	\$ 655,154
Total Expenses	\$ 4,246,580	\$ 3,713,365	\$ 533,215
Net Income (Loss)	\$ (2)	\$ (121,940)	\$ 121,938
Net Increase (Decrease) to Cash	\$ (2)	\$ (121,940)	\$ 121,938

Budget Assumptions:

- All HAP revenue is spent on HAP, and administrative costs are allocated to each of these Non-MTW voucher programs from the HCV team to offset administrative fees earned, so they are projected to operate at net zero income and cash flow for 2020. 2019's actuals reflect a negative \$121,940 impact on cash. This was due to HUD reducing revenue to utilize use of reserves to fund that 'shortfall'.
- HCV-HAP Non MTW funding increased over the actuals presented due to additional voucher awards for both Mainstream/HUD program and City of Boulder funding.
- HCV administrative fees consistent with 2019's actuals at 75% proration of published rates.
- Service grant funding consistent with 2019's actuals for SNAP grants.

5. Section 5 – BHP Workforce Properties

5.1. General Description:

The Workforce portfolio includes BHP owned affordable and market rate units:

- 31 units at Trout Farms were acquired June 2019, hence 2020 is the first full year of operations.
- 44 units at Broadway East were converted from Tax Credit ownership January 2019, hence 2020 is the first full year of operations.
- 2 single family houses were sold in 2019; Cornell House and Orchard House.
- 35 units at Woodlands are planned to convert from BHP ownership to Tax Credit ownership October 2020.

Workforce Properties			
Program	Units	Program	Units
101 Canyon	5	Midtown	13
2037 Walnut	26	Sanitas Place	12
Arapahoe East	11	Tantra Lake	185
Cedar / Casey	19	Twin Pines	22
Bridgewalk	123	Trout Farms	31
Broadway East	44	Vistoso	15
Dakota Ridge	13	Whittier Apts	10
Foothills	74	Woodlands -9 mos	26
Hayden Place 1&2	30	TOTAL	659

5.2. Financial Summary

BHP Workforce Budget	2020 BUDGET Workforce	Rolling 12 months actuals; Oct 2018-Sept 2019	Change in Income Increase (Decrease)	%
Operating Revenue	\$ 10,948,878	\$ 10,626,519	\$ 322,359	3%
Operating Expenses	\$ (5,172,479)	\$ (4,724,082)	\$ (448,397)	9%
Operating Transfers to COCC	\$ (3,150,000)	\$ (1,250,000)	\$ (1,900,000)	152%
Net Operating Income	\$ 2,626,399	\$ 4,652,438	\$ (2,026,039)	-44%
Capital Grants	\$ 3,920,000	\$ 1,250,000	\$ 2,670,000	214%
Interest Income	\$ 25,479	\$ 28,668	\$ (3,189)	-11%
Depreciation Expense	\$ (4,224,988)	\$ (4,094,221)	\$ (130,767)	3%
Non Capital Reserve Spending	\$ (47,600)	\$ (328,288)	\$ 280,688	-86%
Mortgage and Other Interest Expense	\$ (2,687,562)	\$ (2,819,656)	\$ 132,094	-5%
Gain (Loss) on Sale of Capital Assets	\$ -	\$ 872,951	\$ (872,951)	-100%
Total Non-Operating Rev/Exp	\$ (3,014,671)	\$ (5,090,547)	\$ 2,075,876	\$ (0)
Net Income	\$ (388,272)	\$ (438,109)	\$ 49,837	-11%
Adjustments to Operating Cash				
Plus:				
Amortization & Depreciation	\$ 4,224,988	\$ 4,094,221	\$ 130,767	3%
Non Capital Expenditures funded by Reserves	\$ 47,600	\$ 328,288	\$ (280,688)	100%
Less:			\$ -	
Mortgage prepayment; Trout Farms	\$ (770,000)	\$ -	\$ (770,000)	-100%
Replacement Reserves Funding	\$ (268,591)	\$ (248,417)	\$ (20,174)	8%
Debt Principal	\$ (1,438,706)	\$ (1,312,312)	\$ (126,394)	10%
Contribution to Operating Cash	\$ 1,407,019	\$ 2,423,671	\$ (1,016,652)	-42%

The Workforce portfolio is showing a net loss of (\$388,272) and a positive cash contribution after adjustments for depreciation, debt principal payments and reserve funding from cash flow of \$1,407,019.

5.3. Budget Assumptions

- The rolling 12 months actuals includes a partial year of revenue and expense due to aforementioned changes in units. No new acquisitions of units are identified at this time.
- Most affordable units are near or at maximum allowable amounts under City of Boulder covenants. Where rents at specific units are significantly lower than the allowable covenant, we have projected up to 4% increases at renewal. Units with tenant-based vouchers are assumed to have an increase of 5% to more closely align with market rents. These rents are capped at the voucher payment standard for each bedroom size.
- Market Rate Rents;
Currently, Boulder Housing Partners operates 290 market rate rental units spread over 7 properties. Our rent increase policy for BHP's market rate units is to cap increases at 5% for existing tenants. Each 1% increase produces approximately \$56,000 in revenue. Accordingly, a 5% increase produces approximately \$280,000.

When a unit turns over, we will rent a market rate unit at the same monthly price or a little lower than comparable market rate units and we usually lease the units in less than a month of them becoming vacant.

Our practice of capping market rate increases to 5% means that our market rate portfolio, as a whole, currently operates significantly below achievable market rents. If the cap were eliminated and all market rate units were rented at full market rate, approximately \$566,000 in additional revenue would be generated. This would equate to an approximately 10% increase to current market rate rents. However, we don't believe this large of an increase fits within BHP values. Furthermore, taking rents fully to market could result in higher unit turnover which would divert BHP's property management resources away from the primary focus of providing attentive customer service to all of our sites, whether affordable or market rate.

- Vacancy Loss
 - Market Rate units and units that rely on referral programs are projected at 5% to reflect current market conditions and the potential for longer vacancy period when units turn.
 - All affordable units are projected at 3% vacancy.
- \$3,900,000 Grant Revenue in 2020 include:
 - \$770,000, the first tranche of three, from the City of Boulder, Inclusionary Housing funds for the purchase of Trout Farms.

- \$2,600,000 from the City of Boulder, funds towards the acquisition of the 2037 Walnut.
- \$550,000 from Boulder County, last of 3 tranches of Inclusionary Housing funds towards the acquisition of the 2037 Walnut.
- Property and operating costs as a whole remain proportional to the increase in units with the following exception:
 - Tantra reflects lower maintenance contracts due to planned prior year upgrades done that are not expected at the same level in 2020.

6. Section 6 – Central Office Cost Center

6.1. General Description

The Central Office Departments consist of:

Central Office Cost Center	
Administration/IT	Property Management
Finance	Resident Services
Development	Maintenance
Human Resources	Sustainability
Asset Management	4800 Broadway Building

7. Section 7 – Central Office Cost Center

7.1. Financial Summary

BHP Central Office Cost Center Budget	2020 BUDGET; COCC	Rolling 12 months actuals; Oct 2018-Sept 2019	Change in Income Increase (Decrease)	%
Operating Revenue	\$ 4,015,473	\$ 3,836,989	\$ 178,484	5%
Operating Expenses	\$ (6,585,736)	\$ (6,524,770)	\$ (60,965)	1%
Operating Transfers In (from WF/MTW)	\$ 4,827,670	\$ 1,250,000	\$ 3,577,670	286%
Net Operating Income	\$ 2,257,407	\$ (1,437,781)	\$ 3,695,189	-257%
SNAP Grant Revenue	\$ 216,305	\$ 140,090	\$ 76,215	54%
SNAP Grant Expense	\$ (216,305)	\$ (154,003)	\$ (62,302)	40%
Capital Grants	\$ 400,000	\$ 5,293,595	\$ (4,893,595)	-92%
Development Fees	\$ 1,854,349	\$ 1,427,349	\$ 427,000	30%
Interest Income	\$ 1,926,123	\$ 1,642,885	\$ 283,238	17%
Depreciation Expense	\$ (274,131)	\$ (272,368)	\$ (1,763)	1%
Non Capital Reserve Spending	\$ (94,000)	\$ (25,312)	\$ (68,687)	271%
Total Non-Operating Rev/Exp	\$ 3,812,342	\$ 8,066,149	\$ (4,253,807)	-53%
Net Income	\$ 6,069,749	\$ 6,628,367	\$ (558,618)	-8%
Adjustments to Operating Cash				
Plus:				
Amortization & Depreciation	\$ 274,131	\$ 272,368	\$ 1,763	1%
Tax Credits cash flow; reduces soft debt	\$ 999,706	\$ 925,094	\$ 74,612	8%
Development Equity funding to Operations	\$ 250,000		\$ 250,000	100%
Non Capital Expenditures funded by Reserves	\$ 94,000	\$ 25,312	\$ 68,687	271%
Predevelopment expense paid in prior years		\$ 132,787	\$ (132,787)	-100%
Gain (Loss) on Sale of Assets; non cash	\$ -	\$ (672,264)	\$ 672,264	-100%
Soft Debt Interest From Tax Credits	\$ (1,894,275)	\$ (1,642,885)	\$ (251,390)	15%
Replacement Reserves Funding	\$ (102,580)	\$ (102,996)	\$ 416	0%
Transfers to Development Equity Fund	\$ (7,087,056)	\$ (7,821,588)	\$ 734,532	-9%
BHP net change in OPERATING Cash	\$ (1,396,326)	\$ (2,255,805)	\$ 859,480	-38%

The central office departments combined show a 2020 net income of \$6,069,749 and negative cash flow of (\$1,396,326). Income for the Rolling 12-month actuals is higher than 2020 as a result of a large decrease in Capital Grants awarded in 2019 to provide gap financing for the closing of 2 tax credit entities. This was offset by 2020 Capital Grant funds flowing from the Workforce properties to repay BHP for bridging the City and County grant funding for prior acquisitions: Cedar /Casey, 2037 Walnut and Trout Farms.

Expenses are in line with 2019 with only a small increase in Salary and Benefits and Depreciation offset by savings in Other Operating Costs.

7.2. Budget Assumptions

- Development fee income of \$1,854,349, consists of \$1,354,349 from West End and Canopy earned at construction completion with \$500,000 projected upon closing of Woodlands/ Madison tax credit closing, quarter 4 of 2020.
- Grant revenue of \$92,000 from the BHP foundation and Boulder County to fund two term positions for Bringing School Home.
- Continuation of the fee-for-service approach to maintenance billing, resulting in 100% recapture of Maintenance Department costs from the properties.
- Employee benefit costs nominally decreased based on exiting City of Boulder health benefits and joining Humana's health plan.
- Employee benefit split 70/30; the same split as 2019.
- Resident Services department supported by property fees based on the level of service provided to each property.
- Contributions to replacement reserves for 4800 Broadway and vehicles of \$103,000 based on estimated replacement schedules, offset by spending on 2 new maintenance vehicles, technology improvements to continue efforts for a paperless environment and necessary computer hardware and software upgrades.

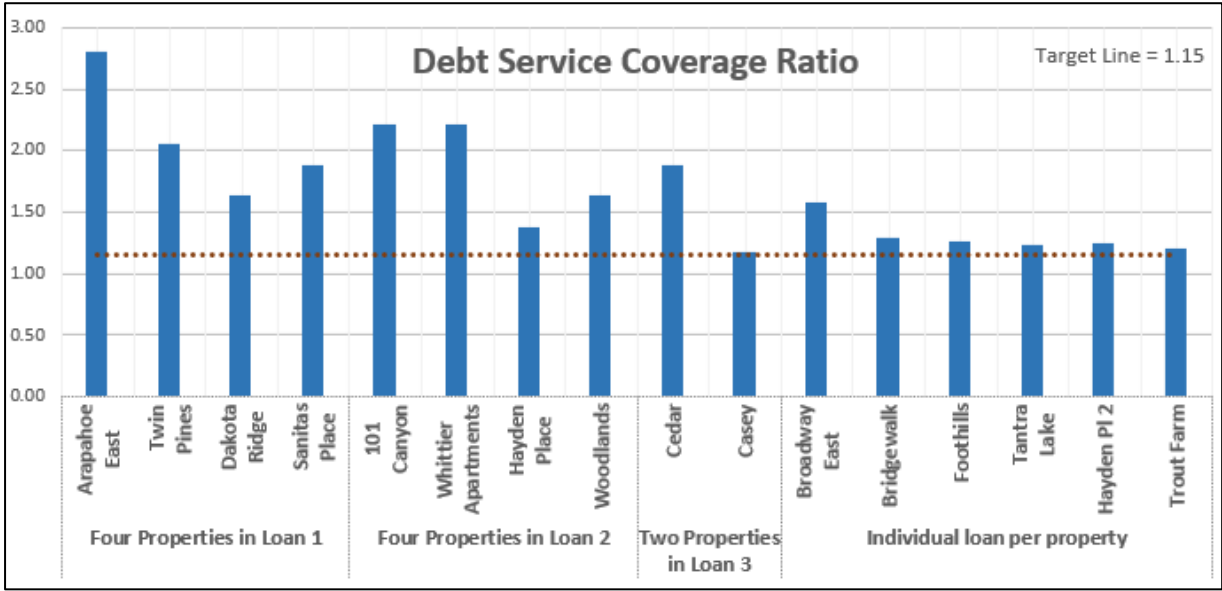
8. Section 8 – Organizational Debt

Below is a summary of the existing BHP debt in order of loan maturity. The next loan to mature is April 2021; Arapahoe East, Dakota Ridge, Sanitas Place and Twin Pines are jointly are collateralized. Woodlands, part of another four property jointly collateralized loan is currently planned to exit BHP ownership in 2020 to take advantage of LIHTC equity.

BHP Mortgage Summary Schedule					
Property	Interest Rate	Maturity	Loan amt	Balance projected @ 12/31/2019	Annual Debt service 2020
Arap East, Dak Ridge, Sanitas Pl, Twin Pines	3.50%	4/1/2021	\$ 3,572,476	\$ 2,741,230	\$ 221,286
Tantra Lake	3.42%	4/1/2027	\$ 29,705,000	\$ 28,515,270	\$ 1,468,140
101 Canyon, Hayden Pl, Whittier, Woodlands	3.85%	7/1/2027	\$ 5,815,000	\$ 4,672,095	\$ 328,965
Hayden Place 2	4.20%	8/1/2027	\$ 600,000	\$ 565,641	\$ 35,524
Cedar & Casey	3.25%	2/1/2028	\$ 2,449,358	\$ 2,375,858	\$ 117,888
Foothills	3.25%	8/31/2028	\$ 7,000,000	\$ 6,043,972	\$ 367,345
Trout Farms	3.97%	6/1/2029	\$ 4,197,000	\$ 4,168,625	\$ 223,812
Bridgewalk	3.86%	4/1/2032	\$ 14,000,000	\$ 22,606,394	\$ 1,233,888
Vistoso	4.79%	11/1/2047	\$ 600,000	\$ 582,545	\$ 38,088
		Totals	\$ 49,141,834	\$ 72,271,630	\$ 2,539,148

* BHP also has a line of Credit with First National Bank for \$9.6 million at a rate of 3.45% collateralized by the office building at 4800 Broadway, Midtown and 2037 Walnut

Debt Service Coverage Ratio measures the net operating income (NOI) divided by the amount of the debt payment for each property. A ratio of 1:1 means that the NOI can just support the debt. These properties are all projected to perform with a debt service coverage ratio of 1.15:1 or better as required by our lenders. The weighted average debt service coverage ratio for these properties is 1.4:1 The additional NOI in excess of the 1:1 ratio provides income which is used to (1) fund replacement reserves, (2) support the Central Office Cost Center (COCC), and (3) fund operating reserves.



9. Section 9 – Consolidated Financial Statements

We have worked diligently to present a budget for 2020 that produces positive net income of \$5,627,087 with a nominal \$11,614 increase in cash. The Rolling 12-months actuals presented had higher net income by \$2,703,989 due to \$2,138,384 increased capital grant funding and \$1,545,215 gain on sale of assets related to Cornell House and the land for Canopy, however net cash contribution is lower by \$156,558. We are projecting \$250,000 funded by Development Equity reserves to provide a balanced cash budget, it is important to note that this budget includes full employment. Over the past three years, BHP experienced employment turnover that are favorable from those budgets averaging 2.5% or approximately \$175,000. In addition, we project to maintain an operating reserve of \$3,000,000 and the replacement reserve at \$3,500 per unit.

The consolidated statements with a comparison to 2019 Rolling 12-month actuals (October 2018 through September 2019) are attached **Exhibit 1**. Using actuals vs prior year budget provides the reader a comparable comparison due to the significant conversion of 116 units at Canyon Pointe and Glen Willow to a tax credit ownership in 2019. The 2019 Budget partially included those 116 units.

- Net increase in operations revenue of \$737,876 relating to a full year of 31 units at Trout Farms which was acquired mid-2019, the inclusion of 44 units at Broadway East in the BHP budget now that it has been purchased out of the tax credit.
- Increase in Development Fee income of \$427,000 reflecting the earning of 1,354,349 fee at completion of construction at West End and Canopy, plus \$500,000 anticipated at the closing of the Madison / Woodlands conversion of BHP units to Tax Credit Ownership September 2020.
- Increase in HCV-HAP/Admin revenue and expense of \$1,264,725 based on 2019 budget authority and 99% proration and strategic plans to increase lease up of vouchers. This increase also reflects additional \$337,000 funding from the City of Boulder for voucher revenue and expense.
- An increase in salaries and benefits of \$234,000 related to 3 additional FTE, an overall 4% average performance-based merit increases offset by a nominal reduction in employee benefit cost.
- Increase in Property Costs of \$218,528 related to the increase in number of units operating for a full year under management and increases in utility and insurance costs.
- Decrease of \$165,218 in Legal and Predevelopment Expenses. \$132,787 of expense reflected in the 12 months actuals represents write offs of prior year Predevelopment expenditures, which were a non-cash expense in the prior 12 months. Removing this amount nets a \$32,431 decrease in budget, reflecting funding any development related costs by the Development Equity Fund.
- A decrease in Capital Grants of \$2,138,384. 2020 combined budgeted \$6,002,707 from City of Boulder, Worthy Cause and MTW capital funds support 2037 Walnut, the third/last tranche for Cedar/Casey, 30 Pearl and \$1,682,707 from MTW funds available for potential acquisition. 2019's actuals of \$8,141,091 included \$3,900,000 funding for the Canopy LIHTC closing, \$550,000 for the second Cedar/Casey traunch, \$350,000 for the acquisition of Trout Farms, \$1,907,253 MTW funds for 2037 Walnut and \$1,393,594 funding for entitlement costs for 30 Pearl.
- A decrease in Mortgage and Other Interest Expense related to 2019 non-recurring \$96,000 interest on outstanding line of credit related to 2037 Walnut which is mortgage free and the \$44,970 one-time financing charge to procure a new mortgage for Trout Farms. Excluding those non-recurring items from the actuals, derives \$45,682 increase for 2020 budget interest expense primarily due to a full year of the new mortgage for Trout Farms.
- Debt Principal increased in 2020 by \$139,044, primarily due to a full year of new mortgage for Trout Farms and the expected increase of principal versus interest of mortgage payments over the life of each loan.

10. Section 10 - Five Year Capital Plan and Reserves

The Five-Year Capital Budget has been analyzed with the current and planned status of our reserves in five areas:

10.1. BHP Operating Reserves

BHP anticipate maintaining \$3,000,000 reserves based on the 2020 operating budget. Based on HUD’s “cash management” experience, the Board approved an increase in 2016 to 2 months of operating cash for BHP or \$3,000,000 as a designated reserve to reflect the reduction in cash reserves allowed by HUD for federal programs. We are proposing that we maintain this target at \$3,000,000 for 2020.

BHP Operating Reserves - Unrestricted	2020 Budget	2021 Projected	2022 Projected	2023 Projected	2024 Projected
Operating Reserves - Projected Beginning Balance	\$ 3,423,442	\$ 3,435,056	\$ 3,460,056	\$ 3,485,056	\$ 3,510,056
Sources:					
Cash Surplus/Deficit from Operations	\$ 11,614	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Total Sources	\$ 11,614	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Uses:					
Total Uses	\$ -	\$ -	\$ -	\$ -	\$ -
Balance - End of Year	\$ 3,435,056	\$ 3,460,056	\$ 3,485,056	\$ 3,510,056	\$ 3,535,056
Designations:					
Board Designated Reserve	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
Surplus /(Deficit) vs Reserve Goal	\$ 435,056	\$ 460,056	\$ 485,056	\$ 510,056	\$ 535,056

10.2. Development Equity Fund

During the year as Development opportunities arise, the Finance Committee and Board of Commissioners review and approve activity for utilizing those funds.

We anticipate to begin 2020 with \$1,270,000 Development Equity funds after buying out Frasier Meadow’s interest in Mt Calvary Church.

The Development equity fund are mainly used to fund;

- Pre-development expenditures for new acquisitions or LIHTC deals.
- Acquisition of real estate
- The projected sourced of funds over the next 5 years are as follows;

2020	\$5,550,000
2021	\$4,083,000
2022	\$2,255,000
2023	\$2,000,000
2024	\$2,000,000

10.3. Replacement Reserves

BHP Replacement Reserves - Unrestricted	2020 Budget	2021 Projected	2022 Projected	2023 Projected	2024 Projected
Projected Beginning Balance	\$ 2,735,766	\$ 2,758,697	\$ 2,711,112	\$ 2,673,115	\$ 2,643,878
Sources:					
Replacement Reserves - Workforce Properties	\$ 268,587	\$ 324,359	\$ 330,846	\$ 337,463	\$ 344,212
Replacement Reserves - COCC	\$ 102,996	\$ 105,056	\$ 107,157	\$ 109,300	\$ 111,486
Total Sources	\$ 371,583	\$ 429,415	\$ 438,003	\$ 446,763	\$ 455,698
Uses:					
Capital Needs - Workforce Properties (estimate)	\$ 335,260	\$ 326,000	\$ 326,000	\$ 326,000	\$ 326,000
Capital Needs - COCC (estimate)	\$ 145,000	\$ 151,000	\$ 150,000	\$ 150,000	\$ 150,000
Total Uses	\$ 480,260	\$ 477,000	\$ 476,000	\$ 476,000	\$ 476,000
Balance - End of Year	\$ 2,627,089	\$ 2,711,112	\$ 2,673,115	\$ 2,643,878	\$ 2,623,576
Designations:					
Board Designated Reserve	\$ 2,307,375	\$ 2,307,375	\$ 2,307,375	\$ 2,307,375	\$ 2,307,375
Surplus /(Deficit) vs Reserve Goal	\$ 319,714	\$ 403,737	\$ 365,740	\$ 336,503	\$ 316,201

Our current funding levels averaging \$409/per unit per year we will be able to accommodate expected repairs while continuing to maintain a target balance of \$3,500 per unit. We believe this level of funding and balances are appropriate for these units. We recommend a board target of \$3,500 per unit for 2020.

10.4. MTW Operating Reserves

Moving to Work Reserves are fungible within MTW, but not available for the central office departments or other properties. These reserves are available for any MTW activity including funding Public Housing operations, Housing Choice Voucher HAP and administrative needs or other unfunded MTW activities which include the acquisition or development of affordable units. We are projecting to start the year with an MTW reserve balance of \$470,325. No significant changes are projected over the next 5 years.

10.5. Externally Restricted Reserves

These fund balances vary depending on the nature of the restrictions and designated timelines. Below summarizes the composition of restricted reserves as of September 2019;

- \$1,315,973 funds held until mid-2020; represents BHP equity contribution to Canopy LLLP at construction completion.
- \$500,282 Tenant Security deposits, fluctuates per resident tenant move ins or move outs and property acquisitions.
- \$368,750 for non MTW voucher programs (NED/RAD/COB) funds which can only be used to for housing assistance payments;

- The COB prepaid a full year of funds; \$440,000 in 2 tranches during 2019 and anticipate the same to occur in 2020. As of September 2019, \$260,285 funds remain from the prepayment.
- NED (non-Elderly Disabled) and RAD (Rental Assistance Demonstration) HUD programs; BHP holds \$108,465 excess HAP revenue in excess of expenses.

10.6. Insurance Reserve: 2020 - \$500,000

Due to natural disasters driving insurance industry economics, BHP was unable to renew insurance policies with our previous \$10,000 deductible limits. Policies that renewed the later part of 2019 were at \$25,000 deductible limits except for wind/hail at 1% of replacement values. To mitigate this risk, September 2019, BHP funded \$500,000 in a separate insurance reserve. Operating Cash and Development Equity funds equally established this new reserve.

The exposure across the entire portfolio for 1% wind/hail deductible is \$1,580,000, comprised of BHP units; \$781,000 and Tax Credit Units; \$798,000. It would take an extraordinary event to impact every property BHP manages. The \$500,000 reserves at 1/3 of total higher deductible exposure provides an adequate safety net in addition to our operating and replacement reserves.

11. Section 11 – Tax Credit Budgets

At the end of 202 BHP will be the general partner and .01% owner of the following twelve tax credit entities:

Tax Credit Properties not included in BHP budget	
Boulder Communities	279
Broadway West	26
Canopy -6 mos 2020	41
Ciclo; 9 mos	38
HighMar	59
Holiday	49
Lee Hill	31
Palo Park	35
Red Oak Park	59
West End	116
Westview	34
Madison -3 mos 2020	8
Woodlands -3 mos 2020	9
Total Tax Credit:	784
30 Pearl	120
Total Tax Credit:	904

<<new units
<<new units

<<under construction until 2021

Each of these properties is managed by BHP in accordance with the requirements of the Limited Partnership Agreement. Annual budgets for the properties are provided and approved by the Investor Limited Partner. The budgets must meet the required debt service coverage limit. The assumptions for these budgets match the BHP affordable properties:

- Rental income increases of 0-4% depending on the relation of the existing rent to the AMI rent limit.
- Vacancy Loss projected at 3%
- Insurance expense based on our umbrella insurance policy actual cost through renewal in September and a 7% increase for the fourth quarter.

A detailed budget for each property is included as **Exhibit 2**. These properties are separate legal entities and therefore never consolidated into the financial statements of BHP.

12. Section 12 –Organizational Summary

Below is a summary to show the scale of the whole organization. The financials statements of the tax credits are not consolidated with BHP.

Total Organization Summary	Total Tax Credits	% of Total All	BHP	% of Total All	Total ALL
Total Operating Revenue	11,769,265	42%	16,273,395	58%	28,042,660
Salaries and Benefits	1,060,729	14%	6,566,021	86%	7,626,750
Total Property Costs	4,302,521	53%	3,826,969	47%	8,129,490
Total Operating Costs	1,347,599	34%	2,659,583	66%	4,007,181
Total Operating Expense	6,710,849	34%	13,052,573	66%	19,763,422
Net Operating Income	5,058,416	61%	3,200,822	39%	8,259,238
Non Operating Income and (Expense)	(10,202,541)		2,425,905		(7,776,636)
Total NET INCOME (LOSS)	(5,144,125)		5,626,727		482,603
Net Increase (Decrease) to Cash	3,047,937		11,614		3,059,551
Units	784	53%	698	47%	1,482
Vouchers	-	0%	1,202	100%	1,202

Attachments:

- Exhibit 1- BHP Summary Budget
- Exhibit 2 - Tax Credit Budget Summary

MEMO

To: Board of Commissioners
From: Ruth Becker
Date: November 13, 2019
Re: **Mt. Calvary Land Purchase**

Background

In order to satisfy its inclusionary housing obligation for expansion of its senior living community at 350 Ponca Place, Boulder, Frasier Meadows, in partnership with BHP, acquired the Mount Calvary Evangelical Lutheran Church property at 3485 Stanford Court, Boulder, 80305. The acquisition occurred on November 2, 2017. BHP acquired an undivided 59.8% of the Church Property and Frasier Meadows acquired an undivided 40.2% interest in the Church Property. BHP was designated by the City to assure that affordable housing would be developed on the Church Property. At the time, BHP and Frasier Meadows anticipated working together to develop senior housing on the Church Property. Mount Calvary church signed a lease to remain in the property for up to 10 years, and development was deferred until Mount Calvary relinquished its lease. BHP and Frasier Meadows also signed a Tenancy In Common agreement, and Frasier Meadows had the right to require BHP to buyout Frasier's Meadow's interest in the Church property for a set price, based on the value of Frasier's Meadows' ownership interest. The Church Property was valued at \$5,250,000.

On August 26, 2019, Frasier Meadows notified BHP that they were exercising the buyout right for the purchase price of \$2,109,139, established in the Tenancy in Common agreement. In addition, Mount Calvary has terminated its lease effective November 30, 2019.

Analysis

BHP is obligated to purchase Frasier Meadow's 40.2% undivided interest in the Church property by November 26, 2019 for the price of \$2,019,139. With the Church's lease ending, BHP will control the Property. BHP will resume the planning process for the Church Property and determine the best type or types of affordable housing to site on the Church Property. The Church Property was rezoned to RM-2 medium density and is subject to an affordable housing covenant for a portion of the units that can be developed.

BHP has \$3,391,000 available in the Development Equity Fund, which will be applied to this purchase.

Recommendation

The parties have set a tentative closing date of November 21, 2019 to close on BHP's purchase of Frasier Meadow's interest in the Church Property. Staff recommends the Board approve the transaction.

Action Requested

A Board Motion Authorizing the Executive Director to take all actions and sign all documents necessary to complete the purchase of Frasier Meadow's interest in the Church Property by November 26, 2019, in accordance with the Tenancy in Common Agreement, and authorize the payment of the purchase price.

Recommendation

Staff recommends that the Board of Commissioners approve Resolution #19-16.

**RESOLUTION #19-16
SERIES OF 2019**

A RESOLUTION BY THE HOUSING AUTHORITY OF THE CITY OF BOULDER, COLORADO, A COLORADO HOUSING AUTHORITY, D/B/A BOULDER HOUSING PARTNERS TO PURCHASE AN UNDIVIDED 40.2% INTEREST IN THE PROPERTY LOCATED AT 3485 STANFORD COURT, BOULDER COLORADO, FROM FRASIER MEADOWS MANOR, INC. d/b/a FRASIER MEADOWS RETIREMENT COMMUNITY.

WHEREAS, the Housing Authority of the City of Boulder, Colorado, a public body corporate and politic of the State of Colorado d/b/a Boulder Housing Partners (the "Authority") is authorized and empowered by the provisions of Part 2, Article 4, Title 29 of Colorado Revised Statutes (the "Act"), to purchase property; and

WHEREAS, the Authority and Frasier Meadows Manor, Inc. d/b/a Fraiser Meadows Retirement Community ("Frasier Meadows") own the Property located at 3485 Stanford Court, Boulder, (the "Property") as tenants in common, with the Authority owning a 59.8% undivided interest and Frasier Meadows owning a 40.2% undivided interest; and

WHEREAS, the Authority and Frasier Meadows are parties to a Tenancy in Common Agreement which provides for the Authority to buyout Frasier Meadows interest in the Property; and

WHEREAS, Frasier Meadows notified the Authority on August 26, 2019 that it was exercising its buyout option; and

WHEREAS, at a duly noticed regular meeting held on November 13, 2019, the Board of Commissioners of the Authority authorized staff to purchase Frasier Meadows 40.2% undivided interest in the Property.

NOW, THEREFORE, BE IT RESOLVED, the Board hereby approves the purchase of Frasier Meadow's 40.2% undivided interest in the Property.

RESOLVED FURTHER that Jeremy Durham, or his designee, in his capacity as the Executive Director of the Authority, is authorized, ratified and directed to cause the Authority to execute, deliver and perform any agreements, contracts or writings as he may deem to be appropriate to facilitate closing.

Adopted this 13th day of November 2019.

(SEAL)

Valerie Soraci,
Chair, Board of Commissioners
Boulder Housing Partners,
Housing Authority of the City of Boulder

ATTEST:

Jeremy Durham
Executive Secretary

MEMO

To: Board of Commissioners
From: Jeremy Durham and Willa Williford
Date: November 13, 2019
Re: **Strategic Plan for Consideration of Adoption**

Background

We are providing the BHP Strategic Framework for discussion and consideration of adoption at the November meeting. The Board spent two hours in retreat on the document on October 16, 2019. At the retreat, the Board gave general positive direction on the brevity of the document, and the overall approach. They also recommended a number of changes, which are incorporated in the current version, including:

- Change the document name from “Plan” to “Framework.”
- Put the vision before the mission.
- Wordsmith mission and vision, adding “help” before “create,” and add “Boulder” between “thriving” and “communities.”
- Rework several core beliefs, including:
 - New language for celebrating diversity
 - Deleting beliefs related to “part of a larger solution” and “a culture that is genuine and connected.”
 - Wordsmithing the environmental belief.
- For strategies:
 - Strategy #1 – deleted “we are open minded”
 - Strategy #2 - added “affordable and attainable rental housing,” and “provide opportunities that would not otherwise be available in the local market” and “permanent” affordability
 - Strategy #3 - added “strategic asset management” and “community collaborations.”

Following the Board’s discussion and adoption, we will enhance the document with graphic design, update our website and other collateral, and begin to use the framework to guide our work.

Strategic Framework



Vision

To help create a **diverse, inclusive, and sustainable** Boulder.

Mission

To provide **quality, affordable homes** and foster **thriving Boulder communities**.

Core Beliefs

- We believe in the **power of home**.
- We believe in **opportunity for all**.
- We celebrate our **diversity**.
- We believe our work is **one part of a broader solution** to a thriving community.
- We believe in keeping our **environmental footprint small**.
- We believe in working as **one team**.

Strategies

1. Support Residents and Strengthen Communities

We provide high-quality customer service, treating all people with kindness, respect, and dignity. We foster partnerships with residents, participants, and local organizations to increase opportunities and strengthen the broader community.

2. Increase Affordable Housing Opportunities

We seek to meet the changing housing needs of our community. Our expertise is affordable and attainable rental housing. We work in collaboration with the City of Boulder to address community housing goals and provide opportunities that would not otherwise be available in the local market. We are agile and responsive to opportunities, providing permanently affordable homes through development, acquisition, and vouchers.

3. Steward our Resources Effectively

We are diligent stewards of public resources and champions for those who need them. We manage our resources through effective business practices, strategic asset management, community collaborations, environmental stewardship, and innovative systems that bring clarity and focus to our work.

4. Cultivate an Outstanding Workplace

We create a positive workplace culture, striving to attract and retain the best employees. We support wellness and balance in employees' lives and we cultivate the creativity, passions, and unique skills of our team members.

FUTURE BOARD ITEMS

We've gathered the requested informational items the Board has asked to either learn more about or discuss. This is our current list and approximate timeline.

	<u>Anticipated Date</u>
• 2020 Budget Adoption	December 2019
• 2020 Board Calendar	December 2019
• Annual Admin Plan Updates	December 2019
• Strategic Priorities Update	December 2019
• Solar Garden	1 st Quarter 2020
• Property Management Structure	1 st Quarter 2020
• MTW Proposed Activities	2 nd Quarter 2020
• MTW Annual Report	2 nd Quarter 2020
• MTW Annual Plan Draft	3 rd Quarter 2020
• MTW Annual Plan Final Approval	4 th Quarter 2020
• Housing Choice Voucher Administrative Plan Changes	4 th Quarter 2020
• LIHTC AND 60% Area Median Income Averaging	As Time Allows
• MTW Program Overview Presentation	As Time Allows

2019 BHP Commissioners' Calendar

Date	Group	Time
Mon. Jan. 7	Finance Committee	3:00-4:00
Mon. Jan. 7	Development Committee	4:00-5:00
Wed. Jan 9	Board Meeting	9:00-11:30
Mon. Feb. 11	Finance Committee	3:00-4:00
Mon. Feb. 11	Development Committee	4:00-5:00
Wed. Feb. 13	Board Meeting	9:00-11:30
Thurs. Mar. 7	NPG Committee	3:30-5:00
Mon. Mar. 11	Finance Committee	3:00-4:00
Mon. Mar. 11	Development Committee	4:00-5:00
Wed. Mar. 13	Board Meeting	9:00-11:30
Mon. Apr. 8	Finance Committee	3:00-4:00
Mon. Apr. 8	Development Committee	4:00-5:00
Wed. Apr. 10	Annual Board Meeting	9:00-11:30
Mon. May 6	Finance Committee	3:00-4:00
Mon. May 6	Development Committee	4:00-5:00
Wed. May 8	Strategic Plan Retreat	9:00-11:30
Thurs. Jun. 6	NPG Committee	3:30-5:00
Tues. Jun. 11	Finance Committee	3:00-4:00
Tues. Jun. 11	Development Committee	4:00-5:00
Wed. Jun. 12	Board Meeting	9:00-11:30
Mon. Jul. 8	Development Committee	4:00-5:00
Tues. Jul. 9	NPG Committee	12:00-2:00
Wed. Jul. 10	Board Meeting	9:00-11:30
August	Board Recess	N/A
Thurs. Sept. 5	NPG Committee	3:30-5:00
Mon. Sept. 9	Finance Committee	3:00-4:00
Mon. Sept. 9	Development Committee	4:00-5:00
Wed. Sept. 11	Board Meeting	9:00-11:30
Mon. Oct. 14	Development Committee	4:00-5:00
Wed. Oct. 16	Board Meeting & Strategic Plan Retreat	9:00-2:30
Tues. Nov. 12	Finance Committee	3:00-4:00
Tues. Nov. 12	Development Committee	4:00-5:00
Wed. No. 13	Board Meeting	9:00-11:30
Thurs. Dec. 5	NPG Committee	3:30-5:00
Mon. Dec. 9	Finance Committee	3:00-4:00
Mon. Dec. 9	Development Committee	4:00-5:00
Wed. Dec. 11	Board Meeting	9:00-11:30