

City of Douglas Community Housing Corporation

MINUTES

Board of Directors Regular Meeting
City of Douglas Community Housing Corporation
Tuesday, January 30, 2024, at 9:00 a.m.
Zoom Meeting

1. **CALL TO ORDER.** 9:09 a.m.

2. **ROLL CALL.**

Board Members present were Vicky Merritt, Belen Durazo and Denise Machado. City Official present was Luis Pedroza, Deputy City Manager. Others present were Frank Moro, Stacey Loucks and Ana Salazar.

3. **PERSONS WISHING TO ADDRESS THE COMMITTEE IN WRITING OR VERBALLY ON ANY ITEM NOT ON THE AGENDA.**

Ms. Merritt reported none.

4. **DISCUSSION/DECISION TO APPROVE RESOLUTION NO. 24-0001, DIRECTING THE COMMUNITY HOUSING CORPORATION PROCEEDS FROM THE SALE OF RANCHO LA PERILLA APARTMENTS TO THE CITY OF DOUGLAS FOR THE 2012 CONSOLIDATED NOTE OWED IN THE AMOUNT OF \$781,990.48 AND THE 2017 NOTE OWED IN THE AMOUNT OF \$19,563.87 AND THE EXPECTED REMAINING AMOUNT OF \$541,913.54 TO BE DEPOSITED IN A FUTURE ACCOUNT ESTABLISHED BY THE COMMUNITY HOUSING CORPORATION.**

Mr. Pedroza provided background on the item by discussing the financial situation of the Community Housing Corporation, stating that they do not have their own bank account. They need to establish one to receive proceeds. While considering directing the funds to the city, their attorneys advised against it. However, they could receive proceeds from two unsecured notes owed to the city by the corporation. The first note dates back to 2012, consolidating previous notes with a 2% interest rate. The second note, from 2017, was taken to address financial issues and now amounts to \$19,563.87. The corporation intends to dissolve eventually, and until then, the proceeds must be kept in a separate account. Lastly, Mr. Pedroza mentions that the property had a payment plan for water and sewer services at La Perilla. This outstanding bill, owed to the city of Douglas, can be settled outside of escrow. The Community Housing Corporation anticipates having to pay this bill, which is estimated to be approximately \$27,000 to \$30,000. Although not included in the resolution, it's a bill that will need to be addressed.

Mr. Moro inquired of where the proceeds are going after the closing.

Mr. Pedroza reported that \$781,990.48 and \$19,563.87 would be going to the city and \$541,913.54 will go to the Community Housing Corporation.

Mr. Moro suggested a method for handling outstanding bills with the city by temporarily transferring funds to First West Properties' trust account. This account can be used to pay the bills directly, eliminating the need for the Community Housing Corporation to open and close its own account. Once the bills are settled, any remaining funds can be returned to the Community Housing Corporation.

Discussion was held on wording of motion.

Motion by Belen Durazo, second by Denise Machado to approve Resolution No. 24-0001, directing the Community Housing Corporation proceeds from the sale of Rancho La Perilla Apartments to the City of Douglas for the 2012 Consolidated Note owed in the amount of \$781,990.48 and the 2017 Note owed in the amount of \$19,563.87 and the expected remaining

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amount of \$541,913.54 to be deposited in the trust account with First West Property Corporation. Motion passed unanimously.

5. DISCUSSION/DECISION TO APPOINT AN INTERIM TREASURER AND INTERIM SECRETARY OFFICERS FOR THE COMMUNITY HOUSING CORPORATION UNTIL THE NEXT ANNUAL MEETING.

Mr. Pedroza reported the need to appoint officers for the Community Housing Corporation in order to open a bank account. While the usual time for appointing officers is during the annual meeting in July, he proposed appointing interim officers to fulfill this requirement.

Motion by Denise Machado, second by Belen Durazo to nominate Belen Durazo as Interim Treasurer. Motion passed unanimously.

Motion by Belen Durazo, second by Denise Machado to nominate Denise Machado as Interim Secretary. Motion passed unanimously.

6. DISCUSSION/DECISION TO APPROVE RESOLUTION NO. 24-0002, TO DIRECT THE INTERIM TREASURER AND INTERIM SECRETARY TO OPEN A CHECKING ACCOUNT ON BEHALF OF THE COMMUNITY HOUSING CORPORATION TO DEPOSIT FUNDS, PAY OUTSTANDING BILLS AND PAY THE AMOUNTS OWING TO THE CITY OF DOUGLAS FOR THE OUTSTANDING LOANS IF THOSE AMOUNTS CANNOT BE PAID OUT OF THE ESCROW FROM THE SALE OF THE RANCHO LA PERILLA APARTMENTS.

Mr. Pedroza expresses that while the need for a bank account is not urgent, he suggest that having the resolution in place would be beneficial for future needs, such as opening a checking account once the 30-day period ends and funds can be released by the property management.

Motion by Denise Machado, second by Belen Durazo to approve Resolution No. 24-0002, to direct the Interim Treasurer and Interim Secretary if required to open a checking account on behalf of the Community Housing Corporation to deposit funds, pay outstanding bills and pay the amounts owed to the City of Douglas for the outstanding loans if those amounts cannot be paid out of the escrow from the sale of the Rancho La Perilla Apartments. Motion passed unanimously.

Mr. Moro reviewed the closing statement with the board. He provided a breakdown of various charges related to the transaction. In the first column, he listed the purchase price, deposit, existing loans, county taxes for one month, and policy charges, including standard coverage, escrow fees, title fees, recording fees, and miscellaneous expenses. He explained that insurance costs for La Perilla increased significantly, more than doubling overnight from \$17,000 to \$35,108 due to the termination of the previous policy and the necessity of obtaining a new one due to the insurance company not covering multi-family housing and also, the premium had to be funded in escrow as part of the transaction.

Mr. Pedroza asked if a refund will be received for the existing policy.

Mr. Moro stated a refund will be received due to the policy being prepaid.

Mr. Moro continued to explain additional fees and escrow payments related to the transaction. This includes fees to properties, legal fees for Reno and Kavanaugh, legal fees for Fennemore Law, UCC filing fee, real estate tax escrow of \$8,485 to the city, insurance escrow of \$12,853.88 to the Community Housing Corporation, reserve for replacement escrow of \$148,252, and a payment of \$251,340 from the reserve replacement account to the Community Housing Corporation. He also mentioned January interest paid in February, totaling \$942. He notes that the insurance premium needs to be updated. Lastly, Mr. Moro reported the deficiency note will be included in the statement with the proceeds being directed back to the Community Housing Corporation under First West Property Corporation.

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Discussion was held on scheduling the next regular meeting for April 11, 2024.

7. ADJOURNMENT

Motion by Denise Machado, second by Belen Durazo to adjourn the meeting at 9:50 a.m.

Prepared by:  Cynthia Acuña Robles, Deputy City Clerk