

Missoula Housing Authority Board
Regular Board Meeting
Wednesday, March 18, 2015

-MINUTES-

Members Present: Fred Simpson, Collin Bangs, Monique Casbeer, Betty Zander, Jamie Hoffmann, Sheila Lund, David Warren

Members Absent: None

Staff Present: Lori Davidson, Adam Ragsdale, Suzy Yancey, Karl Pare, Sam Oliver, Harlan Wells, Holly Moore, Ellie Greenwood, Mary Melton

Guests Present: Keithi Worthington

- I. Call to Order: The meeting was called to order at 5:30pm.
- II. Attendance: See Above.
- III. Approval of Minutes: Regular Board Meeting, February 18th, 2015

1st: Bangs

2nd: Zander

None opposed, motion passes

IV. Commissioner comments/ Conflict of Interest Disclosure

Hoffmann: I'm working with Harlan and staff in preparing for request for qualifications for the architectural part of the 6 plex being built with the HOME grant. I have no association with my former architect firm. Michael Morgan purchased my business 3 years ago and I expect he'll be an applicant. I expect to participate in the committee of review of applications. I don't expect to be part of any of the interviews. I don't think I have a conflict of interest.

V. Public Comments on items not on the agenda (Limited to 3 minutes a piece)
None

VI. Action Items

- a. Motion to approve correction of resolution numbering from February meeting to Resolution #1015 and Resolution #1016.

Davidson: Just a typo. We had a duplicate one last month, and just want to fix those numbers and show you approved that.

1st: Casbeer
2nd: Bangs
None opposed, motion passes.

b. Resolution #1017: Authorizing Submission of City Home Fund Application and Required Certifications.

Davidson: This is not quite a duplicate of what you did last month.

Wells: The city sent out a specific resolution they wanted signed, which was the one signed last month. There was another resolution that was within the application that was very similar. Just to be sure, I called and asked if this one needs to be done too. They said yes, of course it does, even though the other one said essentially the same things. This one just says, agree to the attached certifications. We got an extension on it since the application has already been submitted. They gave us permission to sign this resolution after the fact and then submit it.

1st: Bangs
2nd: Casbeer
None opposed, motion passes.

Davidson: For the record, this is gap funding for River Ridge – the application to the city HOME fund program.

P 8

c. Resolution #1018: Accepting 2015 Capital Fund Grant Awards in the amount of \$228,198 and \$26,768.

Davidson: This is our annual capital fund award for FY2015. The \$26,768 is for replacement factor housing funds and those can only be used for the replacement of public housing. We're using those funds for the duplex on the California Street property. The \$228,198 is for all other properties, any work we need there. A significant amount we think will go to Vantage Villa. Also a lot of the site work we shifted from 2014 to 2015 because we will also need a lot of the 2014 funds for Vantage Villa. But this is just in compliance with HUD regulations that the board must agree to accept the capital funds and have a resolution on file for that. They can only be used for public housing.

1st: Casbeer
2nd: Warren
None opposed, motion passes.

Simpson: It says FY2014 in the third paragraph.

Davidson: It should be 2015. We will make that correction.

d. Motion to move proposed revisions to City Cooperation Agreement forward to City Council.

Davidson: It was my understanding that there were some questions about the cooperation agreement. We can point out what the actual major changes were with Emily's help and she's also discussed this with the mayor. We're modifying it to say that even though the city has the ability to charge us a pilt, that they're waiving that. That was the mayor's suggestions. The other major change is the mayor has proposed to give the housing authority the first choice on any surplus land that they have to donate. That is permitted under state law and it wasn't in our last agreement. 2/3 of the council has to agree on it. It's a really nice provision. We're all in favor of it. We can choose not to take the land, but we have the first option to accept it.

1st: Bangs
2nd: Zander

Simpson: It did seem to have some inconsistent language on payment in lieu of taxes. In paragraph 5b it refers to municipality will waive it, then it refers again to payments in lieu of taxes in paragraph 6 and 8.

Worthington: You had brought those issues up at the last meeting. I hadn't revised the whole thing. I had drafted the portions that there were changes to. We can make those changes. You could adopt those as formatting changes because it is inconsistent. I'm happy to make those changes. I would agree that those are inconsistencies so I recommend that you adopt it with the changes of removing the reference to pilt in section 6 and section 8. It would give me the leeway to modify section 8 as necessary to remove that payment of the pilt reference. It doesn't affect the major changes that Lori discussed.

P9

Bangs: One of the other questions that we discussed last month had to do with what form this annual meeting will take. It says there will be one, but doesn't set the form.

Davidson: The annual meeting was envisioned at one of the committee meetings where the council could also participate and was mainly an information exchange between our board and the city council and the mayor.

Bangs: I wouldn't be surprised if in the next 10 years, having the right to first choice of surplus of city land could be very important.

Davidson: I agree, it's a great benefit to us.

Hoffmann: The annual meeting, would it actually be a meeting with an agenda conducted by ourselves?

Worthington: It would be a joint meeting. There are 2 or 3 entities where they have joint meetings. They set a mutual agenda so you're not going to be just discussing city business. The only difference is it would have to be a city council chambers and be more formal in terms of public comment and those sort of things.

Hoffmann: Are we going to have a typical monthly agenda?

Davidson: Yes.

Worthington: I recommend that we not set the joint meeting as regular monthly meeting. You could set it as a special meeting and you can have agenda items that you and the city council agree on.

Davidson: It wouldn't be a regular meeting of the board, it would be a special meeting.

Hoffmann: With a focused agenda.

Worthington: It would be giving a report of what the housing authority is doing and mutual issues that would need to be addressed.

Bangs: I can see that as being great value. Most of the city council and the public don't really know what we're doing.

P10

Worthington: I concur. There's great benefit to the housing authority coming forward in the next 10 years or so and having a joint council meeting.

Davidson: We're asking you to pass a motion to move the proposed revision on to the floor of city council before you approve a resolution because city council may have things they want to talk to us about.

Worthington: Doesn't it also have to be approved by HUD.

Davidson: Yes. If we send it in with approval of both city council and our board and as long as it has all the required things in it, I can't see any reason why they wouldn't approve it.

Hoffmann: Call the question.

None opposed, motion passes.

VII. Staff Reports

a. Rural Development Self-Help Program.

Yancey: I have the figures on that. Since October 1, 2014 to current, development has loaned RD \$29,725.60. That's broken down into \$28,541 in salaries and the balance, \$1,884.58 is advertising. We are almost at the \$30,000 mark.

Bangs: Where are we at having people signed up?

Moore: We still have 2 people approved. From the Missoulian ad I got a lot of feedback and a lot of people applying. I have 3 loans on my desk that I'm working on. Right now I'm seeing people who are over-income which I haven't seen in the past 2 years. I'm seeing a rise in self-employment. I don't know if it's the marketing we're doing is reaching more people and a diverse group, but it seems to be helping. I'm keeping up with that. We have an Independent ad that's going to be running next Wednesday's, starting the 25th, in the Homesteader. It will hopefully reach more people.

Bangs: So we have 2 approved, 4 online, do we have other people trying to get online?

Moore: I have a couple applications on my desk.

Bangs: Do you keep getting new people?

Moore: I do. I've been refreshing the Craigslist ad and I just posted more pictures on the Facebook ad. I have a call into the Missoulian to do an interest piece, I haven't heard back.

P11

Bangs: Are we still having trouble with RD getting people approved.

Moore: Yes

Bangs: Is that the biggest reason we haven't gotten applications?

Moore: I think the interest is there, but getting people qualified is difficult.

Davidson: It's such a narrow income range of people who qualify.

Moore: With RD in general, the standard has gone up. They're being particular on who they're approving and financing for the loan.

Wells: From the grant application perspective, I've heard today from Nancy, our technical advisor, that national is supposedly going to give us our obligation. So that would be contingent on the amount of families. In January they announced that they were going to allow us to go back to the original grant amount, so we'd be back to \$590,000. We just have to change all our budgets and narratives as an amendment to the application. Since it's now being confirmed, we consider it an obligation, we have to change everything to make it a request for a 2nd amount. I'll have those

things to her which will then be passed up through the chain. But at least we're working in the direction of having the full funding. For the SHOP funds, which are the gap funds, the financial is still in limbo. A lot of programs around the northwest have been having trouble, so they think they're going to have money.

Hoffmann: Are there any deadlines regarding getting 10 families?

Davidson: There aren't any hard and fast deadlines. The biggest thing we'll be dealing with is when the families are able to get started building and what they have to do over the winter.

Wells: When we get the obligation, there may be some kind of timeline attached to it since we don't have the families yet.

Simpson: Was there an issue when we have to close on the lots? Aren't these under contract?

Wells: They are. The seller has the loan with First Security. The biggest problem is the pressure from First Security to get enough lots sold. He's calling us daily asking if there's anything he can do to help. It's an open ended contract. We told him we'd do 10 at a time.

Oliver: There are infrastructure issues as well, where we'd have to extend the sidewalks.

Davidson: And that would have to be done before the families can start their construction. The timing is when we can get started during the year.

Simpson: Who pays for those improvements? Is there an SID?

Davidson: I'm not sure if there is an SID?

Wells: Those are included in the price of the lots.

Hoffmann: Have we concluded what lots we're going to work with?

Wells: There are 20 of them we can pick from. There's some flexibility. He won't do the infrastructure until we're ready to close and the funds have been committed.

Davidson: The biggest concern is getting enough families and how much we want to invest in this program for how long with no assurance we'll come up with families. The funds that we're spending now are not reimbursable. This is all coming out of our development fund.

Bangs: I want to congratulate and thank staff for all hard work and good advertising. We got a great brochure that went out to hundreds of realtors and it did create a lot of

interest. It's disappointing to have that much interest and still be where we were at before. I don't know if it's ever going to work or not. It may not work until RD has enough people give up on them that they wake up and change lending policies. I don't know if it's national RD problem or if it's a Montana based RD problem. It is disappointing to create that much interest and still be where we are at a month ago. Unless we can see some way of getting beyond this point, we at some point have to pull the plug. I hate to do that because it's a great program. It's not only us that is having that problem. Habitat only does 1 or 2 houses a year and they have the same problem. I don't know why there aren't enough people who are willing to work; it would be a daunting task to take on. We are very close to the point where we have to make decision. I hoped to come here today and say wow this is great, but it isn't. Despite some very good work.

Davidson: We do have one more ad coming out next week. Should we revisit this at the board meeting next month?

Bangs: I would say we give ourselves a deadline. If it's not looking better in a month you have to at some point look at the realities of that.

Lund: I wonder if you could do any advertising in the HomeWORD monthly newsletter?

Davidson: Holly does go to the financial fitness classes.

Moore: In the beginning of January they stopped having people come to home ownership program. I don't go, HRC doesn't go...there was some ruling that came down. But I did supply Brendan with information.

P13

Oliver: We haven't thrown up our hands. We're constantly trying to drum up new ideas for marketing. Nancy wants to push the piece in the Missoulian. She suggests going right to a reporter. She wants to be more involved and recognizes the urgency of situation. She is offering to lend her time to do presentations at businesses. Try to reach people directly. We've tried everything we can think of. We aren't giving up.

Bangs: The deadline doesn't have to have a certain number of families, but progress made.

Simpson: Is there any information on how long it took to get the first group?

Moore: With the first group, Neighborworks gave us a deadline of 3 months. We did it. It was hard. With the second group, it was even more difficult. Each year is harder and harder and I'm not sure why. For the potential 4th year, I have applicants on the cusp of being ready. I understand and respect the deadline. I see all these applicants being so close to building next year.

Oliver: Collin's point is a good one, that it seems static. We're trying to find the magic bullet to give us a group of people. Once they've talked themselves into making a huge commitment, it's easier to lose faith over time.

Lund: With that group of people, they have to have good job stability and can't have a lot of consumer debt. That's probably what you're running into as well. Credit not as stellar as it should be.

Davidson: Student loans are killing us.

Lund: That all plays into it. They used to not have to count student loan in ratio. The monthly premium that gets charged, where RD didn't used to have that.

Casbeer: Anyone thought of using MCAT? To explain more of what is required. People film you, in half an hour explain more of what is required, so people who come will actually meet requirements. You can explain more of what they needed to have.

Lund: I think it's way more intense and specific than that, each borrower is different, and you can't do it in 30 minutes. You can give them overview of the documents, but that's just the beginning.

Greenwood: To get those credit scores, you have people that are actually over income. It's a narrow window that people have to fit in to. It's problematic. Interesting idea of MCAT is it would be another opportunity to reach out to community to tell people...even if we can't do a detailed presentation.

P14

Harlan: Doesn't MCAT also have links where you can download, where someone doesn't have to tune in at that time.

Worthington: I'll talk to Ginny Merriam for a connection with the Missoulian. Ginny is the communication director at city and it would be great to get a news article out. The news station do a little clip.

Yancey: It's real discouraging, we're spending, \$450 a month on credit reports, RD asked for \$27 credit reports, tri bureaus. Really hard to say we got 2, then we got 4, how do we get that push when we have these ongoing expenses just to run credit.

Hoffmann: Is there anything more in self help?

Davidson: There is something else. We're going to revisit next month, see where we are, and see how much time and energy we are willing to invest if not seeing any movement on family side. Second piece is there are 6 homeowners in build 1 that have hired legal representative. There is destructive testing that will happen in 6 houses and the attorney suggested having our own engineer document crawl spaces before destructive testing occurs. Families don't appear ready to go after us. There is

potential that Neighborworks in Great Falls could bring us into a suit. After discussion with Keithi, as staff we recommend hiring an engineer to document units. As far as we know it's only in the crawl spaces.

Hoffmann: Is there a complaint filed?

Worthington: No. The attorney is CJ Johnson. He called last week and indicated that he's gone through everything and doesn't believe the HA has any responsibility. They finally put the insurance carrier on notice and hired an attorney to come to resolution. No interest in bringing the HA in at this time, but no guarantee that they wouldn't. The ones to bring us into it is Neighborworks Great Falls. The owner of lots or excavator could be brought into it. The issue is the lots being dug so deep it's creating water issues. We would have engineers to go through property. It's a good idea because they haven't filed suit. We have no idea what claims may be, compared to insurance policy. CJ mentioned more issues, last year just water issues, Neighborworks would pay for that. There are more damages on the property than just water issues. They are alleging other damages we haven't looked at, no idea what they've alleged. Anyone can bring us into this lawsuit. There's a window to bring experts in and do testing or remediations. If we don't go in and document on behalf of HA we lose that opportunity. It's a risk I'm looking at and how we manage that risk. The other issue is who has deepest pockets and who's left standing. Great falls insurance, the excavator, and the owner of lots...it's common to not have insurance. If these homeowners have damages and they need money, they're gonna go after anyone who has money.

P15

Oliver: Lee Ziler was the excavator. It's not their intent to sue them, but as witnesses...these families being their own contractors were party to that.

Simpson: Did we notify our insurance carrier? They should be involved and pay for engineer.

Davidson: We did notify our insurance carrier. We are also covered by E & O now, we were during entire 2nd build, but I don't think we were covered during 1st build.

b. Platypus lot

Davidson: I don't have anything new, waiting for HUD to respond to request of lower sale price. I will write to the HUD field office and say what if we just sell it anyway? It's been almost two months, it was January that he made the offer...it would be really nice to get answer.

Hoffmann: I met with him and buyer today because I offered to originally go over the offered purchaser review...I'll do that for Tim. The sales price is less than the cost of the subdivision.

c. Cooperation Agreement with City

Davidson: I think we're done with that (see above).

d. Vantage Villa update

Oliver: The biggest hurdle is the local insurance adjuster we've been working with, he went down with severe back pain a couple weeks ago and is off his feet. We called the insurance company and said this is terrible, but you need to have contingency plan. With the award we had earlier, the partial award, we have enough money to keep going. We are working full steam, full crews, every trade, every step of the way. Progress is happening in the physical sense.

Simpson: Was Tom with Frontier? Was he the only one there?

Oliver: Yes

Hoffmann: Do we have an anticipated finish date?

Oliver: June 15-30 is what we're pushing for right now.

e. City surplus lots

Wells: With the HOME award, wanted to make darn sure we had environmental completely done, without miscommunication between state and city. The state said we can keep moving with RFQ but don't touch the lot, period. Probably 6-8 weeks out before we touch the land.

P16

f. Parkside Village

Wells: We did some preliminary negotiations with the investor and other partner, we've got all the terms. We're going to get the replacement reserve, he's going to get the operating reserves. We're going to pay them around \$150,000 for their exit. The hang up was a HUD issue where they approve assumption of debt. The existing loan doesn't come due until 2040. It's a good idea for us to do. Mary has said as of today since we are a part owner they are going to allow us without HUD approval. It's a 2-3 page document and Keithi will help with the contract. I don't see why by next board meeting we don't have resolution for you to sign.

Davidson: It will take some of our development fund to pay exit taxes. We are just assuming the existing loan on it.

Wells: There is no closing fee.

Lund: Is there an assumption fee?

Wells: No it's through MBOH

Davidson: The current property managers would like to continue to manage that property. Normally, we do our own property management. But because this is happening so quickly we may want to enter into a contract to continue their management for a period of time. We don't know what that looks like yet.

Wells: Full disclosure, they've had vacancy problems...104 units, 20 vacancies. The management company changed policies, and the application turn around is 3 weeks. It's one of the things we will discuss with the management company if we consider that. We need to get those numbers back up.

Pare: In April it will be in our possession?

Davidson: We found all of this out today. Things are happening fast.

Pare: I would like to offer up my and Mary's services to be part of that conversation.

Wells: We can't guarantee the assumption fee. We are already on the loan. It would be other people taken off that loan.

Davidson: The replacement reserves come to us as new owners. We anticipate going into another LIHTC application. Probably take 2-3 years to get it. But we have the money in replacement reserves to handle problems.

P17

Wells: Minor repair work...cabinets and carpet dated but still in good condition. They spend \$10000 a year on marketing, but this last year only spent 6.

Melton: With the rent structure, no reason they should be as empty as they are.

Davidson: They are very low rents. There is potential to increase rents with 60 day notice period. They aren't even collecting money they are entitled to. They know it. Don't know why they aren't taking advantage of that.

Hoffmann: This is project based section 8?

Davidson: No this is LIHTC. It used to be section 8, but the owners opted out of the HUD mortgage. It's gone through 2 different owners since opt out.

Hoffmann: It got converted to tax credit project?

Davidson: Yes

Simpson: Do you know why the operating and maintenance expense is significantly higher than it was last year?

Davidson: We don't. It's one of the things talk to management tomorrow.

VIII. Old Business

a. Seeley Lake property – Pan O'Herren

Davidson: I don't have any update. I'm not even sure we should keep it on the agenda.

Wells: No, when I talked to county last time, there were still mild conversations going back and forth with a mystery investor....some discussion on existing use if there was going to be a problem with phase 1 and environmental.

b. Changes in Procurement and Personnel Policies

Davidson: Keithi and Adam are continuing to work on personnel policy as they have time. There is movement on a procurement policy. Maybe Sam can talk about it.

Oliver: Since we had some training last summer, we've gotten a lot of background and action from running vantage villa. We notice that we have to revamp procurement policy. We will take the existing policy and use it as a skeleton. Over next few months, we'll do revisions to put in front of Keithi. A document that is up to date to help staff understand and save on shared drive. We plan to create contract templates that are fully HUD compliant, make much more user friendly now that we've done.

c. Board training opportunities

Davidson: The one we're most excited about is the joint Mountain Plains NAHRO conference being put on in Bozeman in June, if any of you that are available to go to that. We don't have complete the complete schedule. Karl is on one of the committees.

Pare: We are getting together some concepts. Missoula will have 45 minutes. I reached out to Nancy at the city. She's planning on going. Bozeman will have 45 minutes and will feature their workforce housing.

Davidson: The conference is the 8-11. The 8th is the day training for staff, like HQS and occupancy. Actual conference will be 9-11. I encourage you to come mingle with your peers. Region is MT, WY, UT, CO, ND, SD. If you'd like to go to this conference, we'll be taking a bunch of staff. Make sure you get on the roster.

Wells: Quick follow up on River Ridge. As of today, the person that needs to return credits still hasn't given them back. Basically he's being difficult. At the June board meeting MBOH can vote on whether to take credits back from him and give to us....all those timelines are lining up good.

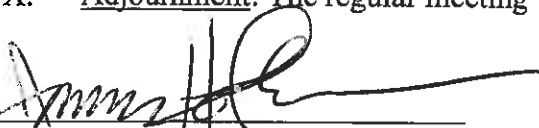
Russell Square, getting them to exit partnership early is still possible. Something we're moving toward - purchase of Russell Square.

Davidson: I interviewed with a reporter from the Independent interested in why we're acquiring properties. He'll probably have 3 or 4 paragraphs in the Independent tomorrow. He wanted to know why we are diversifying. I did my best to explain how important that was.

IX. New Business

None

X. Adjournment: The regular meeting was adjourned at 6:50pm.



Jamie Hoffmann, Board Chair



Lori Davidson, Executive Director