Missoula Housing Authority Board

Regular Board Meeting
Wednesday, Feb 21st, 2013

-MINUTES-

Members Present:	David Warren, Jamie Hoffmann, Emily Bentley, Collin Bangs, Fred Simpson, Sheila Lund.
Members Absent:	Betty Zander (*arrived to meeting at 6:10pm)
Staff Present:	Adam Ragsdale, Gloria Fortier, Mary Melton, Lori Davidson, Jim McGrath, James Weir, Linzie Norman (MHA VISTA)
Guests Present:	Keithi Worthington, Kathy Pollock, Monique Casbeer

I. Call to Order: The meeting was called to order at 5:34 pm.

II. Attendance: See Above.

III. Intro:

-None

P7

IV. Minutes:

-Dec 19th, 2012

No corrections. Warren motioned to approve. Bangs seconded. None opposed. Motion passed with all in favor.

-Jan 16th, 2013

No corrections. Bangs motioned to approve. Simpson seconded. None opposed. Motion passed with all in favor.

V. Conflict of Interest Disclosure:

None

VI. Commissioner Comments:

Hoffmann asks where in the process the board is with Davidson's review as MHA Executive Director. Lund states the comments have been completed for the outline but it still has to be given to Davidson. Lund and Hoffmann agreed to perform assessment for

Davidson. Lund and Hoffmann will coordinate a time that works with Davidson's schedule to perform the review.

VII. Public Comments on Items not on Agenda:

Davidson introduced Kathy Pollock and Monique Casbeer as members of the Resident Advisory Board (RAB).

Davidson introduces MHA's new VISTA volunteer Linzie Norman. McGrath states Norman will be providing outreach with case managers for the Shelter Plus Care program. Norman's role is to refresh our partners with the program, update them with any changes and bring more communication to the table. Norman will also perform outreach and communication with Section 8 landlords.

Hoffmann asks Norman if MHA's VISTA position brought her to Missoula. Norman agrees. Norman states she had applied for several VISTA positions around the country. MHA was the first one to respond and Norman was delighted to receive the offer.

Casbeer states she has noticed news that 82 vouchers are approved for the State of Montana and wanted to know if any of the vouchers are being placed in Missoula. Davidson explains that the 82 vouchers awarded are known as '811 vouchers'. 811 vouchers are specifically targeted for non-elderly persons with disabilities. The State of Montana applied for these vouchers and will position them in locations they feel have the greatest need. Davidson states MHA has sent a letter of interest for some of these vouchers. Homeword has also put in a letter of interest. Davidson states they have to be in projects that use state funds such as HOME, CDBG or LIHTC. MHA has asked for them as they could be place in properties such as Butorac, Clyatt, Garden District and the Palace. P8

Melton adds that in certain cases, a voucher will pay above the payment standard for a tenant's unit allowing some projects to earn more over time than without the voucher. These are Project Based Vouchers. McGrath adds that there can only be 25% of the units in any building using the vouchers. The vouchers allow people who would otherwise be in an institution to be diverted in a more home-based situation.

VIII. Action Items

Resolution 975- Ratify Changes in the Section 8 Administrative Plan and Public Housing Admissions & Continued Occupancy Policy adopting Temporary Compliance Assistance:

Davidson states that HUD, in a response to the outcry on administrative funding reductions, has been asked for administrative relief on the requirements for income verification. HUD has responded with the policy provided in Resolution 975.

Casbeer asks for a simple example of how this change would affect a program participant. McGrath responds that if a family has assets of less than $5,000-say $5 dollars to keep a bank account open-MHA must contact the bank. MHA must have documentation from the bank verifying the $5 dollar balance costing MHA in administrative time and resources. If passed, the resolution would allow MHA to have the participant sign a document swearing they have under $5,000 in assets in the account without obtaining immediate verification. This is just one example of relief provided by the resolution.

Davidson adds that past income can be used in place of future anticipated income. This is more simplistic for the client and MHA's verification.

Bangs motions to pass Resolution 975. Bentley seconds.

McGrath adds before full vote that this is only a 1-year temporary measure. HUD is trying this to see how much support there is from housing authorities. HUD will tally the number of housing authorities who approved the measure nationwide and decide before 1-year whether or not to make it permanent.

Davidson adds that with Congress not in session, she feels it is unlikely for Congress to pass a budget by March 1st. Sequestration will take effect after March 1st having across-the-board cuts in all areas of the budget. Right now Congress is operating on a continuing resolution. This is keeping the FY2012 funding levels in place. Congress is not likely to reach a compromise on the budget before Sequestration kicks in. There are two different variables here.

Davidson sees one of two scenarios occurring:

1-Sequestration could kick in and they would continue with the 2012 budget.

Or P9

2-Sequestration could kick in and Congress could continue with the 2013 budget which has increases in Public Housing and Section 8 housing.

Regardless of what happens, MHA will see a decrease in funding over the next 2-3 months. If the FY2012 levels continue, MHA will suffer more. If the 2013 levels are enacted at the current budget, MHA will do better. Davidson states that administrative fees for Section 8 will largely be affected. The public housing programs and the capital fund programs will be affected as well.

Hoffmann asks what the housing authority can do to get by if the budget is not enacted. Davidson states MHA can get by for 1-2 years on cash reserves if there is a cut in funding.

Davidson states in the Section 8 program, admin fees are at 82% and could go down to as low as 71%.

Vote continues. All in favor. None opposed. Motion passed with all in favor.

IX. Staff Reports

a) City Surplus Lots

Davidson states no word yet on the public housing application. Monica says she will contact Davidson if they need any additional information.

Davidson reports that a portion of the insulation found in the house moved to California Street tested positive for asbestos. Levels have been found to be at 0.3-0.4%. Weir reports a conference call between the architect, senior manager with Strata and himself for tomorrow. Strata performed the original testing of the insulation for the house before removing it from the 3rd street location. This call will provide professional advice on how to proceed. Weir hopes to have a plan drafted for Davidson shortly thereafter to determine whether to remove or encapsulate the asbestos containing material(ACM). Weir states that had the test come in at over 1% for the amount of asbestos found in the material, regulations would require a much more serious and expensive removal process.

Weir told contractors last Thursday to quit working on the site once the issue had been discovered. Samples of the material were collected on Friday and sent in to Seattle.

Davidson states that until HUD sends approval, work cannot be done on the COT build. Davidson states there has been approval from the HUD field office to have the house moved from 3rd Street and get it winterized.

Hoffmann asks if there's been any news on the two lots adjacent to Steve Loken. Davidson states Loken would like to sell his four adjoining lots based on earlier discussions with Loken. Davidson states it is just a matter of timing and price. Davidson has not met with Loken recently to see if he would like to move forward. P10

Hoffmann encourages Davidson to engage in further conversations with Loken to acquire these lots as they are in a favorable location. Board concurs.

Davidson feels this is a good segway into the discussion for how MHA would like to use its available funds moving forward. Board agrees.

Davidson states MHA has roughly $1M in unrestricted funds. Until the Palace construction is completed, $750K is restricted in the PNC set aside. Hoffmann asks for clarification on how the $1M was accumulated. Davidson responds that this $1M does not include public housing disposition funds. It is a compilation of developer's fees and approximately $400,000 from the sale of the IDC property. Davidson adds that after the sale of the two commercial lots, roughly another $550,000 will be added to this pool of unrestricted funds. This would leave MHA with over $1.5M to invest, though the sale proceeds of the commercial lots are far from being realized. Davidson states there is a buyer for one of the commercial lots and under MHA's agreement with Farran Group, the other lot will be returned to MHA. Davidson explains that with the $1M currently in the bank, $750K is reserved for PNC. The reserve minimum drops to $500K once the construction is completed which continues for 10 years. In the agreement with PNC, it is written that should MHA need these funds, MHA may be allowed to spend these funds with an approval from PNC. Davidson states that though this $500K is not completely inaccessible, she feels more comfortable leaving the money alone. This leaves $500K in the bank and over $500K coming in from the sale of the IDC lots. And in January of 2014, MHA will receive roughly $300,000 in developer's fees coming in from the Palace project.

Davidson states there are several projects on the immediate horizon that MHA can spend these funds on.

First project would be to purchase four lots from Steve Loken. Davidson states that preliminary pricing on the lots were discussed at $50K per lot equally $200K. Bangs asks how big the lots are. Hoffmann states the lots are probably 30 ft by 120 ft. Hoffmann states with Loken's four lots and the two MHA owns, a project of approximately 25 units can be built. Hoffmann explains that if MHA purchased at $200,000, with an approximate value of $100,000 for the two lots MHA owns, the price would be $300,000 for 25 units. This comes down to roughly $10K a unit which Hoffmann states is a low price given the location of the site.

Second project on the list is River Ridge. Court Allen, consultant on the Palace project, offered to do a market analysis and run numbers on the River Ridge project for MHA. Allen has suggested that MHA do a two year bridge loan taken out by a 4% tax credit deal using a 221D4 HUD loan. The HUD loan is advantageous because it gives MHA a 3.25% interest rate amortized over 40 years. The 4% tax credits make up the gap funding on the 221D4 HUD loan. Davidson adds that the 4% credits are non-competitive. The first 15-year compliance period does not end until December 2013. This will make it a 2014 application. Allen has done a preliminary pro forma to make sure this can work. Local banks are looking at what they can do with filling role for a bridge loan. P11

Allen has also helped with doing the valuation of the property so that Davidson has a reasonable amount to offer Steadfast. Allen's pro forma shows a $227K cash inflow from MHA to help purchase the property. MHA would receive all of the $227K back upon conversion of the 4% tax credits. This would tie up this $227K from the time of purchase, as early as April, until MHA receives the 4% credits and the HUD loan is in place. This could be as far as 2 years. These estimates are based on a $2M purchase price with $100K in development costs. Davidson is looking to offer $1.9M on the property. Davidson feels this is reasonable as Steadfast had PNC look at the property on a 10 year loan. PNC came back with a valuation of $1.92M. This would pay off their existing debt and provide Steadfast with a good portion of their deferred developer's fee.

Bangs comments that after reviewing the property with Davidson, he feels it is a property MHA should definitely pursue negotiations on. Bangs was quite impressed with the condition of the property for being 15 years old. Bangs states that the big issue would be the term of financing on the property. Bangs does not want to see MHA get into a situation where the property is purchased on a short term loan due in 5 years and not knowing what interest rates will be at that time. Bangs would like to have the terms reviewed with the board to make sure the agency can limit its potential risk. Bentley asks where the property is located and number of units. Davidson states the property is located in Santa Fe court, near the Valor House, with 70 units.

Davidson is in conversations with Bank of Montana which is the multi-family accelerated processor here in town. Davidson adds this is the only approved processor in the state. Bank of Montana worked with RMDG and MHA on Silvertip. Davidson states they are authorized to work with HUD 221D loans and she will contact Kim Shappee with Bank of Montana tomorrow. Davidson has been talking with Mary Bair at the state level for the 4% credits. This a non-competitive round, undisrupted by the legal issues with the 9% credits. Davidson states if the project's deal is well structured and meets the threshold for the QAP, a project will receive the credits and the tax exempt financing comes with it.

Davidson states if Court Allen is hired as a consultant on the River Ridge project, he will be brought on as a financial consultant. Allen will not be brought on to the same extent as in the Palace project. This will also be a good project to put Bristlecone to work in rehabbing the project as 4% credits require at least $15K per unit in rehab. Much of the work would be aimed at energy efficiency upgrades as directed by the QAP requirements. Davidson states that the PNA will have to be performed but not until after purchasing the property. The project could be owned by April.

Lund asks who built the River Ridge Apartment. Davidson states that American-Pacific Properties was the original developers with Greg Dunfield as the consultant. Davidson adds that this was the first tax-credit project she was involved in with Missoula Housing Authority.

Hoffmann asks if there are any other potential developments on the horizon. Davidson responds that the land owned in the Rattlesnake can hold up to 20 units. Davidson states the sale of the Stevensville property to Northwestern Energy (NWE), if successful, will provide between $80K-$90K in proceeds. Davidson asks Worthington if there has been any word on the buy/sell agreement. Worthington states an email was sent to John Tabaracci but she has yet to receive a reply back. MHA is awaiting a signature on the buy/sell agreement from NWE. P12

Davidson redirects the conversation by stating the Rattlesnake property is another potential project. There are lots for 18 single family units. Though due to the difficult terrain, Davidson envisions a 20-unit multi-family project.

Davidson states that MHA seeks to find new offices for its growing staff. While looking at different funding sources for new offices, Davidson feels this is a good time to bring in a discussion on the disposition funds.

If MHA received the allocation of tax credits for the Summit Housing project, MHA potentially could use $100K of its disposition funds in this project. Because the 9% tax credits are fixed this year, MHA was able to reduce the investment from the disposition funds from $800K to $100K. This is a huge difference in the amount of investment. There is a concern right now if and when there will be a 2013 tax credit round due to a temporary restraining order issued by a judge on the 9% funding round of 2012. This leaves both funding rounds in limbo because there has not been a determination on the restraining order by the judge.

There will be roughly $400K of disposition funds being placed into the 2 parcels on California Street. Davidson has requested replacement housing factor funds for the COT build as well. Davidson is anticipating $60K from this request which would bring the disposition fund investment under $400K for the COT build

This would leave MHA with $1.3M in disposition funds in the bank. Davidson states these funds are restricted for replacement public housing units or project based section 8. Davidson reminds the board on how difficult it has become to use such funds as leverage for other projects or ways in which MHA can have enough control on what project they will be placed.

Lund asks if MHA can use disposition funds to build a project with Loken's property. David states if MHA made them replacement public housing units, similar to the Silvertip project, MHA would have to get tax credits or another source of funding to fill the gap. This is true with almost all the potential projects on the table.

One question Davidson has asked of HUD this past week is if MHA can use the Disposition funds to build new offices on the IDC lots. The answer, with several qualifiers, was that MHA can build new offices using disposition funds. Davidson asks the board if they feel comfortable pursuing the idea to build new offices with a sizable portion of the disposition funds. Davidson adds that it will be difficult to find additional funding for the new offices due to the restriction on the disposition funds.

Hoffmann is surprised that HUD would allow the use of fund from the sales of units in order to build new offices. Davidson explains that it is for the use of staff which serves the public housing units and voucher program. Davidson explains that this would be a mixed finance project with the use of TIF funds or other capital and conventional financing. Davidson also points out that out of the sale of 20 units, MHA will have already yielded more units with the completion of 20 public housing units at Silvertip and the upcoming COT build. P13

Lund asks what would happen with the offices at Russell Square and if all staff would be moving. Davidson responds by stating all staff would be moving and the commercial space could be rented out to another commercial tenant. Lund asks if converting the space into apartments would not be in the equation. Davidson states they could be converted into apartment, though, MHA would have to pay a sizable amount to convert the units and the residential rent would be considerably less than commercial rent. Davidson states the commercial space and the apartments above them are not included in the eligible tax credit basis. The rent for this space goes to the Russell Square property and not to the central office cost center.

Bangs states that the commercial rent being paid currently and perhaps even more could go towards paying on a sizable loan payment. Davidson concurs. Davidson states MHA is currently paying $45K per year in commercial rent to the Russell Square property. Davidson hopes to gain 14,000 sq ft for the new office, double the 7,000 sq ft MHA occupies at Russell Square. Davidson adds that it will require a great deal of research to make the financing work. Davidson has asked Ellen Buchanan if MHA could bring TIF funds into this commercial project.

Both the commercial land and the commercial building would have to be brought in under the Annual Contributions Contract with a declaration of trust to HUD. This would make the office space a public building, qualifying it for TIF funds in construction. Davidson asked Buchanan in an earlier conversation if she could confirm this would work and if TIF funds were available.

Bentley asks for a definition of an Annual Contributions Contract. Davidson states that this document contractually provides subsidies for the Section 8 and public housing programs. The public housing units are under a declaration of trust. If for some reason, the housing authority is not able to own the properties, the ownership goes to HUD as the beneficiary.

Bentley asks if Buchanan confirmed that TIF funds could be used for new offices if under the ACC. Davidson states she has not confirmed this. Davidson adds that the housing authority would not be providing any tax benefits to pay back the TIF. TIF would have to be paid back by the other occupying tenant of the commercial property. Lund asked if there is a prospective tenant for the other half of the commercial property. Davidson states that the Farran Group is in discussions with a prospective tenant that has not yet been announced.

Bentley clarifies by asking if Davidson's request is to further explore the option of using disposition funds to build new offices since it is hard to find funding for new offices. Davidson agrees and adds that it is also hard to spend the disposition funds on new units given the restrictions HUD has placed on them. Davidson states that having the funds brought into a mixed finance project has the downfall of expensive legal fees, which can add \$50K-\$70K to a project's cost dramatically affecting the cost per unit. Davidson explains further that the use of disposition funds can be only one of two ways. First is to place the funds in replacement public housing which would need to be brought in under the ACC. Secondly would be to issue them as project based voucher units, a process that must go out for public bid and does not ensure that MHA would receive the winning bid or have a say in which projects the vouchers would be placed into. P14

Davidson adds that any number of businesses could occupy the commercial space. HUD states the disposition funds could be used to construct the entire building, provided certain criteria are met. HUD has a restriction that the commercial tenant would then have to benefit the residents but the income from the commercial tenant could be classified as non-restricted funds.

Bentley asks if the vision of new offices is dependent on the use of disposition funds. Davidson states she has toyed with the idea of using new market tax credits. In order to use new market tax credits, the project would have to be at least 5 million dollars with added commercial tenants. Davidson had conversations earlier in the week with Reno and Cavanaugh who presented an example of a \$40M tax credit commercial project with 60,000sq ft for the Philadelphia Housing Authority. Davidson points to this as an example that adding in tax credits would work but it would take a very large project for it to pencil out.

Hoffmann proposes another idea to entertain while looking for office space for MHA's growing agency. Hoffmann states while Pat Corrick and Jim McLeod are involved with a project on the IDC site, they are also looking at commercial project downtown on Orange Street. Hoffmann states that having the agency headquartered downtown provides many benefits for MHA and its staff. Hoffmann suggests exploring the possibility of moving offices into their downtown project and selling the Russell Street lots to the Farran Group. Davidson agrees and states it would be worth exploring with Corrick and McLeod.

Bentley asks if the project has 14,000 sq ft to share with MHA. Hoffmann states that he can envision a larger project for them with 5 to 6 stories worth of space.

Davidson again asks the board for thoughts on using disposition funds for something other than replacement public housing units. The Board is in agreement that this use can be explored. Bangs states this issue points out just how badly MHA's board needs to have a strategic planning meetings.

b) Palace Project

Davidson reports the project is still going well. The metal framing is going in for the awning. Lund asks if all tenants have been moved in. Davidson states all of the temporary relocations are complete and there are only 3 units that have not had a qualified tenant move in. P15

c) Silvertip Update

Davidson reports the project is up to 81 or 82 tenants in the property. This is right on schedule with the lease up projects. Project is going quite well and on track with projections.

d) IDC Update

[*Topic covered in earlier discussions]

e) Rural Development Self-Help Program

Davidson states Sam Oliver spend 2 days working with Jeff Jordan from Neighbor Works and being prepared for the 2nd year round of the self-help build program.

f) Stevensville Property

[*Topic covered in earlier discussions]

g) Homeless Housing Update

Davidson reports a realtor is looking for potential hotels for use with the homeless housing plan. Possible partnership with Aid Alliance for future joint housing project. Homeword is to combine a physical needs assessment for a possible site for the Homeless project with an assessment their agency has already planned for their units to help bring the cost down.

X. New Business

a.) Maclay Commons discussion with Poverello and other housing providers.

Davidson reports a discussion has begun with the Poverello to review the current services provided and the possibility of opening up the site to more than just the Joseph Residence.

With the 10-year plan out for comment, MHA will have discussions with other homeless family care providers to see how the community can most effectively serve the families at Maclay and homeless families in general. Is a housing first model more effective, with permanent housing and wrap around supportive services?

Bentley asks what the time frame is for the Poverello's new location. Davidson states she does not know. Bentley asks if the Poverello will be offering any additional supportive services than what is offered in their current location. Davidson states she does not know for sure, but the intended plan is to simply be a shelter and a kitchen.

XI. Old Business P16

a. Changes in Procurement and Personnel Policies

No update. Davidson states that the potential of using Bristlecone at River Ridge brings back the need to revamp the procurement policy so that the procedures take into account state law, but don't require more procurement than is required by the funding source. Currently the policy uses just HUD and public housing guidelines which is in some cases is more than what's needed and leaves little room for flexibility.

b. Board training opportunities

NAHRO Legislative Conference:
Emily Bentley will be attending the Legislative Conference with Lori Davidson in Washington D.C. next month.

c. Overview of net results from purchase to sale of IDC site.

Davidson looked over the history and the figures since the original purchase in 2003. The original purchase was for $3M with $12,000 in closing and other costs. This was financed with a $2.2M loan. MHA put in $762,000 of its own money for the gap. For the first year, BMC continued to occupy the site and continue to pay commercial rent to occupy the space totaling $195,000 in rental income over several months. The property was subdivided for $78,000 into 5 lots. And over 2003-2012, MHA paid $649,000 in property taxes, infrastructure bonds on the subdivision improvements and interest on the various loans. Total invest was roughly $3.54M. One of the lots was sold to Garden District for $367,000. Two lots were sold to the Farran Group. After having paid off the loan, and bringing $400,000 in cash to MHA, the remaining investment is $657,000. After the sale of the two commercial lots for $573,000, MHA total investment will be around $84,000. Davidson adds that these are gross numbers, not on a cash basis, but a review of overall investment to overall return. Davidson states there have been residual benefits from the deal, such as the developer's fee of over $600,000 that MHA received from the Garden District project and the ownership of one commercial lot on Russell Street with a square footage value of roughly $210,000.

McGrath points out that another benefit was found in the building and construction of the Garden District which, in the depths of the recession, put many people to work.

Bentley asks how much MHA earned by the extension of the buy/sell on the IDC lot with Brownstone Capital. Davidson responds by stating Brownstone paid $116,000 in interest. Davidson states that was a huge win for MHA as, the agency did not have to come up with the cash to carry the interest payments on the IDC loan. Davidson adds that the $10,000 per month penalty, from April 2012 to December's prorated month, was not counted in the calculations. This brought in close to $90,000 in cash to the agency over those 9 months. P17

Hoffmann asks the question, in regards to office space desired at 14,000 square feet, is this a good estimate of the housing authority's future needs for space. Davidson responds that it does. Hoffmann responds that if the agency was looking to move downtown, it would be hard to accommodate if the agency needed to yet again expand. Ragsdale presents adding staffing levels for discussion at the next MHA strategic planning meeting.

XII. Adjournment: The meeting was adjourned at approximately 7:27 pm.

Jamie Hoffmann, Board Chair

Lori Davidson, Executive Director