

***Missoula Housing Authority Board***

Special Board Meeting

Tuesday, Feb 07<sup>th</sup>, 2012

**-MINUTES-**

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

Members Absent: None

Staff Present: Lori Davidson, Kevin Schouweiler, Gloria Fortier, James Weir,  
Karl Pare, Jim McGrath, Adam Ragsdale, Ben Bach, Mary Melton, Josh  
Kosar, Sam Oliver

Guests Present: Keithi Worthington

- I. Call to Order: The meeting was called to order at 12:31 pm.
- II. Attendance: See Above.
- III. Intro:  
-None
- IV. Minutes:  
-None
- V. Conflict of Interest Disclosure:  
None
- VI. Commissioner Comments  
None
- VII. Public Comments on Items not on Agenda:  
None
- VIII. Action Items  
None

IX. Discussion Topic

-Possible returning of HOME Funds for Palace Rehab Project

Davidson opened meeting discussion on the possible returning of HOME Funds for the Palace apartments. The project has been awarded \$500,000.00 of HOME Funds. The project is also funded by CDBG (\$27,802) and other private sources.

Hoffmann asks why it is that the project has come this far without MHA knowing that HOME would require MHA as the General Contractor (GC) to bond. Davidson responded that the plan has always included bonding, but HOME is not allowing the subcontractors to Bond. HOME is requiring General Contractor (GC), MHA, to bond this entire project. MHA's plan was to have the subcontractors bond as it could be difficult for Bristlecone Development to obtain bonding as a newly-formed entity.

Davidson states receiving a quote, today, from Housing Authority Insurance Group with a P&P bond for \$15,000 with no collateral. *(Clarification: the cost is \$15,000 per million of bonding required.)*

Davidson reviewed other cons to keeping the HOME funds:

If MHA continues to utilize HOME funds, the project will not go out to bid this month. By delaying the project, Davidson feels MHA may lose its price point of 93 cents on the dollar for the tax credits.

Davidson also showed concern that the project with HOME funds may not be able to meet the 10% test<sup>1</sup> required by April 30<sup>th</sup>.

Worthington expressed her concerns about state HOME regulations which appear to be more restrictive than required by federal law, and the compliance issues these local requirements can present. Melton voiced her concern over compliance issues as well.

Bentley asked for more clarification on who comprises the HOME program. Davidson explained the structure of the Department of Commerce's Housing Division including names of officials.

Hoffmann focused the discussion citing the long list of cons. Hoffmann asked if the only thing MHA would lose would be to give back a \$500,000 grant that would now be supplemented by \$500,000 in the form of a loan.

Davidson responded stating that PNC bank, the perm loan lender, will work with MHA by, for example, reducing the interest rate on the perm loan and/or reducing the required debt coverage ratio. Simpson asked if this is also for the bridge and construction loan. Davidson responded that the construction loan is already around 2.5% and that PNC could not go any lower on this loan. Josh Kosar states that the project may also receive an energy saving grant up to \$127,000. This grant is not dependent on the returning of

HOME funds but will help supplement for the original budget if the HOME funds are returned.

Hoffmann asks why we should not return the HOME Funds. Davidson responds that \$500,000 is a large sum of grant money to give up. Davidson also cautions the board that there may be political ramifications for MHA. MHA may want to consider this a source of funding for future projects. Davidson has spoken with Maureen Martin to let her know the Board is considering returning the grant. Maureen has expressed her understanding given the issues with MHA being its own General Contractor. How the Board of Housing may view the return of funding is unknown.

Bangs asks what happens to the HOME funds if they are returned. Davidson responded that the HOME Funds are put back in the state's HOME pool and are eligible for the next round of applications.

Hoffmann asked Davidson to further describe what political fallout could be presented. Davidson explained that having gone through the application process and considerable work on the compliance issues to date, returning the funds could lead to negative feelings. Davidson cautioned that the board or staff for state HOME funds in the future may look unfavorably at an MHA application. Davidson has preemptively spoken with city officials Mike Barton and Cindy Wulfekuhle who both foresee no possible consequences from the City.

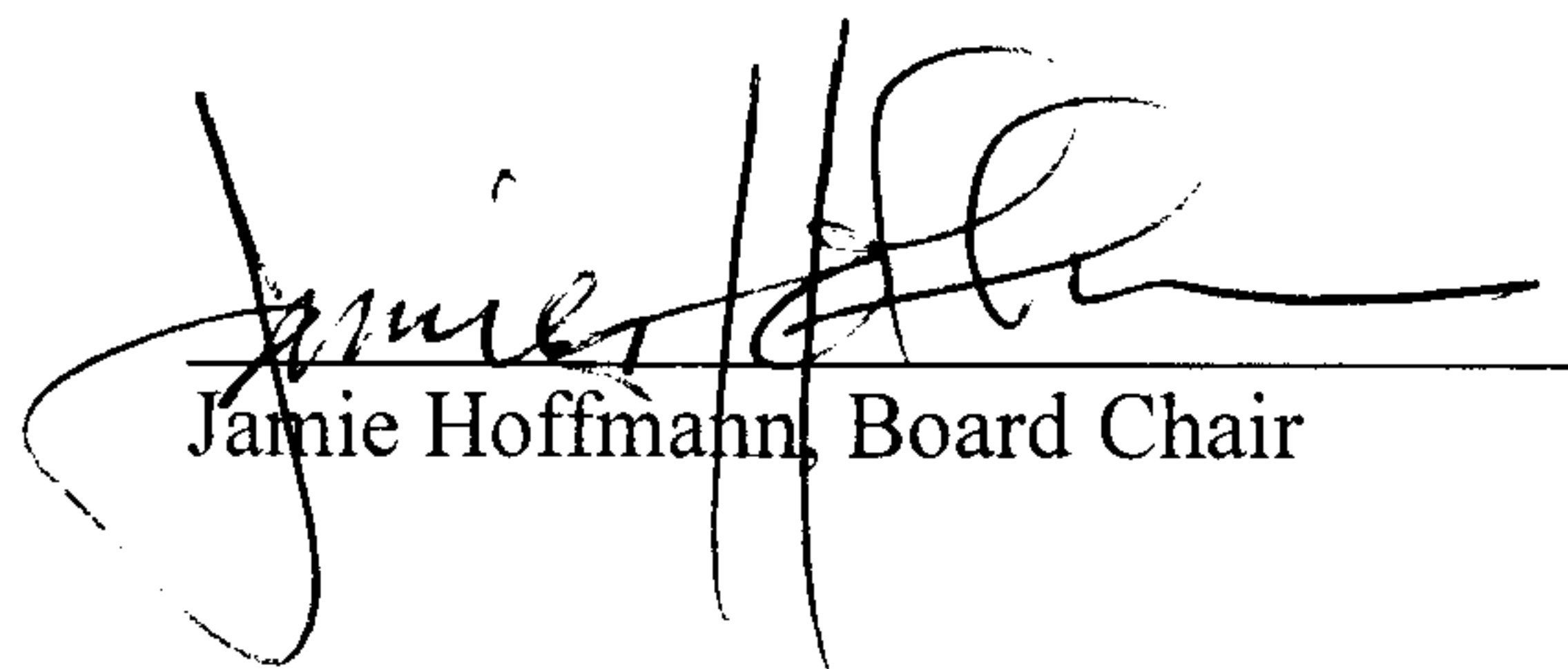
Lund asked if the HOME program has had other recipients of funding return their grant. Davidson responded that NeighborWorks (NW) of Montana had earlier returned \$750,000 in HOME funds due to some problems presented by HOME funds that they could not surmount. Lund asked if NW has seen any repercussion arise from returning their HOME funds. Davidson is not aware of any.


Davidson has asked HUD about concerns with the HOME program regulations. HUD's response is that participating jurisdictions have the ability to set their own requirements, in addition to those governed by federal regulations. Bangs states that if a program is so restrictive that MHA has to give back its half a million dollars, MHA should be looking to the proper governing authorities and have the program fixed.

Bentley asked, given the restructuring of the project loan and possible grant money, what would be net gain/loss of giving back the \$500,000 in HOME funds. Davidson responded that there would not be a net loss. The possible energy grant money is something MHA could apply for either way, but we would not have to seek other sources of funding to bring the project back within its starting budget. PNC is willing to reduce the debt service reserve, reduction in the interest rate, more favorable debt coverage ratio. Hoffmann responded that, given the numbers, this decision may be a no-brainer. Bangs concurred.

Worthington states that no resolution is required but a motion must be made for the board's decision. Hoffmann invited the board to make a motion. Bangs motioned to return the \$500,000 in HOME funds for the Palace project. Warren seconded. None opposed. Motion was approved with all in favor.

X. Adjournment: The meeting was adjourned at approximately 12:45 pm.

  
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Jamie Hoffmann, Board Chair

  
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Lori Davidson, Executive Director