Missoula Housing Authority Board

Regular Board Meeting

Wednesday, July 24th, 2013

-MINUTES-

Members Present:	Jamie Hoffmann, Collin Bangs, Betty Zander, Emily Bentley, Sheila Lund, David Warren
Members Absent:	Fred Simpson
Staff Present:	Adam Ragsdale, Gloria Fortier, Mary Melton, Lori Davidson, Jim McGrath, James Weir, Debbie Hibbitts, Karl Pare, Harlan Wells
Guests Present:	Keithi Worthington, Monique Casbeer, Darwin Hamit

I. Call to Order: The meeting was called to order at 5:30 pm.

II. Attendance: See Above.

III. Intro:

-None

IV. Minutes:

-June 15th, 2013

Warren motions to approve minutes as corrected. Zander seconds. All in favor. None opposed. Motion passed with all in favor.

V. Conflict of Interest Disclosure:

None

VI. Commissioner Comments:

None

VII. Public Hearing on MHA Annual Plan for 2014:

Davidson states that the RAB will be commenting on this item. No RAB members are present at the moment in the meeting. Davidson suggests moving this discussion item to later in the meeting when the RAB members arrive. Darwin Hamit enters meeting 5:41pm. Davidson asks Hamit if Monique Casbeer had planned on attending tonight's meeting. Hamit responds affirmatively. Davidson informs Hamit that the current item on the agenda to be discussed is the MHA Annual Plan. Davidson asks Hamit if the board should move on for now and return to this item later in the meeting. Hamit agrees that this would be fine. Hoffmann asks if there are any other comments or presentations related to the Annual Plan. Davidson states there are none. Davidson states that in the board packet are comments already received from the RAB. These comments will be noted and submitted with the Annual Plan to HUD. Monique Casbeer enters meeting. Hoffmann acknowledges the submission of comments on the MHA Annual Plan by the RAB. Hoffmann invites Casbeer to speak to any of the comments submitted by the RAB. Casbeer has no additional comments. Davidson states comments are on page 8 of the board packets. Davidson asks Ragsdale to be sure the comments made by the RAB pertaining to the technology, grievance and smoking policies are included in the Annual Plan Submission.

Bangs points out one of the RAB comments pertaining to whether the shape and size of the Vantage Villa building can be altered. Bangs asks Davidson if this is possible. Davidson states that the insurance company will not agree to changing the foot print of how the project is built. Davidson adds that, though, MHA likes this comment, it is not an option as the insurance money will be needed to rebuild this project.

Davidson states a discussion was held with the RAB regarding the public housing waiting list. The RAB is concerned that it my discriminate against single, elderly and disabled populations. Davidson states this is one reason that MHA has been moving more towards 1-bedroom units. McGrath states that before Silvertip, almost all of the 1-bedroom public housing units were elderly or disabled. This creates a very long average wait time for non-elderly and non-disabled single applicants. Silvertip has allowed MHA to serve some of these applicants on the public housing waiting list. McGrath states that moving forward, MHA will be looking more closely at serving this population.

Bentley asks about number 4 on the Annual Plan and whether MHA has received comment pertaining to the agency's communication plans. Davidson states information is being kept up to date on the website. Newsletters have not been sent out the past several years due to staff time to compile it (and the expense of mailing to over 1,000 participants and residents). Residents are kept up to date on any changes in policy by mail. Davidson states MHA can always improve in this area. Davidson states that one item discussed at the Management Team meeting is how do we make our website better and update it more often and more quickly. The way the website is setup, there are some things MHA cannot make changes to outside of content updates without asking the developer who built it to alter the site, such as page layout and structure of the site. Davidson is hoping to format the site to highlight areas such as MHA's LIHTC properties that to be marketed more. Davidson states MHA will look to host more pictures of the units and the layout for each unit available. MHA has a Facebook page and intends to utilize social media more effectively. Davidson states that the board's strategic plan will look at ways to better implement communication strategies.

VIII. <u>Public Comments on Items not on Agenda:</u>

Casbeer states that in light of the situation at Vantage Villa, MHA should look to have disaster planning be part of the annual and 5-year planning process. Casbeer states it was fortunate that Ellie Greenwood happened to be at the Vantage Villa site when the fire started. Greenwood helped to direct tenants safely out of the building and was a vital part of the successful evacuation of the building. Casbeer states MHA should find ways to educate residents on safety protocols should this happen in the future. Casbeer suggests having a list of disabled or other tenants that may require additional assistance so to direct firefighters and other emergency volunteers more effectively towards at risk units.

Casbeer states that in a letter to MHA written by Kathy Pollock, during previous fire alarm evacuations of vantage villa, tenants have used different doors to exit the building. In using different doors and not meeting at a central outside location it is difficult to know who has exited the building safely using a head count.

Casbeer has been asked by some of the Vantage Villa residents if the board would be willing to talk with the residents from Vantage Villa. Casbeer states that at a guess roughly half of the 40+ residents have concerns they would like to air. Casbeer states that there are physical items that have gone missing since before the fire and after the cleanup with ServePro. Casbeer reports her personal items such as 3 shelves, a music CD holder, laundry/cloth basket and a two-level table are just a few examples of items that have gone missing. Casbeer reports Lynn McLaughlin is missing a plasma TV, a dresser and a freezer. Casbeer received a box from ServePro that was labeled 304 on the side and 301 on the top. Upon opening it was found that the items were clearly not Casbeer's belongings. A person sitting next to Casbeer while receiving their belongings was given drapes and a bookcase that did not belong to him.

Davidson explains that if an item was destroyed beyond repair during the fire that they would've been discarded during the cleanup. Casbeer expresses concern as the doily from her table was returned in mint condition but the table somehow lost. Davidson suggests that Karl Pare may be able to address some of the lost items due to the fire.

Davidson states that anytime the board gets together it is a public meeting. Davidson asks Casbeer if the residents of Vantage Villa would like to have the board schedule a meeting specifically for the Vantage Villa to express their concerns. Casbeer agrees and will ask residents to confirm this at their upcoming picnic.

Hoffmann invites staff to comment on this issue. Pare states that in addition to Davidson's comments, none of the residents had renters insurance and therefore personal items were at risk of not being replaced. Pare feels there is a bit of discretion on ServePro's behalf. ServePro did take on several of the ground floor units, but the majority of residents, roughly 85-90%, were given the opportunity to go through their belongings after they were packed and removed from the building. These residents also signed a waiver with ServePro stating that they were good-to-go with their cleanup measures. Pare states that while they can sit down with ServePro to sort some of the confusion out, he is not sure if this will satisfy their concerns. Pare asks Casbeer if the picnic she referred to was resident organized. Casbeer agrees. Pare asks if MHA will be invited and can discuss any concerns at the picnic. Casbeer agrees.

Davidson informs Worthington that the residents of Vantage Villa have asked to hold a special board meeting to discuss concerns related to the relocated residents of Vantage Villa. Davidson states she is not sure that the staff have heard all of the issues and concerns that the residents have to share. Worthington responds stating that while this is a special situation, generally there is a process through which residents can voice their complaints and concerns before they reach a meeting with the board. The Board of Commissioners are to govern policies of the agency and are not involved in the day to day operations of the agency. If the residents feel there are policy changes or corrections needed on behalf of MHA, a meeting would need to be announced 48 hrs in advance and be an open public meeting. It should be noted that any of the residents' issues containing sensitive information, such as medical conditions, any missing medications or disputes between residents, would be recorded as part of the public record.

Bentley states she would like to see the MHA staff debrief with the residents first before trying to address their concerns. Bentley states it appears this has not been done with all of the residents.

Davidson states the there was a lot of confusion with the gathering of resident possessions. Temporary laborers were hired by ServePro and this may have added to the confusion. But other than those complaints, Davidson is not sure she has heard of other general issues. Pare states that while he has already heard many different types of complaints from residents, he has asked resident to make a comprehensive list to further review. Pare gives an example that a grandfather clock was damaged and it is hard to say whether this was damaged in the fire or during the removal from the building. Davidson adds that ServePro took pictures of the unit with its items before they started removing them. Davidson states that ServePro should be able to trace things and see what happened to them but it will take some time. Bangs has two observations: One is that he agrees with going through the staff first to see what can be done to remediate the locating of lost or missing items. Bangs states that it is imperative that the staff be the first line of contact to address the problem before it must be brought before the board. Bangs second observation is that anytime an organization goes through a situation like this, it quickly becomes a learning experience. We look at everything that happens here. If you have a disaster like this and don't learn from it you're making a mistake. Ragsdale adds that there was an individual who contacted him about what MHA has learned from this process so that they can take the lessons learned and implement them into the emergency plan for another company. Davidson states that our insurance company, HAI, has two of their risk management officers that will be on site to meet with staff. Part of their visit is to help MHA set up a risk management plan to mitigate the agency's risk.

Hoffmann addresses Casbeer stating that MHA is very sympathetic to the situation at hand with missing items. Hoffmann goes on to say the board would like to see all avenues exhausted through MHA staff with regard to remedying the situation before the board of commissioners to step in. Hoffmann ends by saying everyone can acknowledge that there was much to be learned from this incident.

Bentley adds that the comment about disaster and emergency planning for building will be taken seriously and worked on going forward.

Zander recalls there being an escape plan years ago on the wall at Vantage Villa.

IX. Action Items

None

X. Staff Reports

a) Vantage Villa Update/EPC Update

Davidson has asked Pare to provide an update on where the tenant relocation is at. Davidson will then provide an update on where the EPC refinance it at. Pare states that residents belonging are being moved into their new places. A lot of that is scheduling with the movers with a handful of people left to get into units, with items left to be transferred. There are several empty storage containers that are to be removed from the site. They are entering the stage where they are going to start rebuilding. The amount of rental assistance is coming in somewhat less than expected. Pare states this is large in part to them coming up with good housing deals. Empty public housing units are being filled. Pare states they are settling into the long steady paying of assistance to new landlords. The next part of the process is signing the paperwork, adding the information into PIC and transferring the security deposits to the right landlords. McGrath adds that many of the landlord agreements that were signed on new rental units were lease agreements of a minimum 12 months. Bentley asks that when Vantage Villa is rebuilt will it be tough to get these tenants out of their leases and back into their units at Vantage Villa? McGrath responds stating everyone who was on the list at Vantage Villa will be invited back when it is completed. Not everyone will choose to return.

Bentley asks how long it will take to rebuild Vantage Villa. Davidson responds stating that she does not know how long it will take. Anywhere from 6 months to 1 year is estimated. Davidson states ServePro has just left the site. Temporary roofing is being put in place. Davidson is working with the insurance adjuster and the architect on an estimate. They cannot do their work until everything has been taken out of the building and demo is completed. The insurance adjuster was happy to see that Sam will be taking on the construction phase and having it under MHA's control and oversight. Davidson has confirmed with the adjuster today that we can bring added value into the project to make energy upgrades to the building that would not affect the replacement costs that the insurance company pays to MHA. Johnson Controls will be coming in next month to provide a presentation on phase II of this project. The Board will need to approve a development agreement with Johnson Controls. During the meeting JCI will provide a presentation of the upgrades they're looking to implement. Phase II is possible because there are excess savings that would be returned to HUD if they were not put to good use.

b) <u>River Ridge</u>

Davidson states they are looking forward to pursuing a deal to purchase River Ridge. Davidson invites Harlan Wells to present his findings to the board. Davidson adds that according to Worthington, having a motion to approve bridge loan financing is all that is required. Davidson states that after that, we'll look more closely into the options for permanent financing option. Hoffmann asks Davidson if the board is to provide the motion this evening. Davidson agrees. Wells states that they have had 3 bank options for bridge loans through First Interstate Bank(FIB), First Security Bank(FSB) and PNC Bank(PNC). Wells adds that two of them are very close and one of them is way out in left field. FIB originally came in with an offer that was not the best, but all three offerers were invited to submit their best and final offers because at least two months had passed since their first offers were received. FIB came back with a much stronger offer. The purchase price is $2M and FIB is proposing to do the entire $2M as a draw down loan. There would be a $2M draw down at the beginning and up to $106,000 in immediate repairs. There is a list compiled from the physical needs assessment (PNA) on what needs to be done to the property in the first year.

Hoffmann asks why MHA wouldn't just try to secure permanent financing right away. Wells responds by saying that MHA could go down to the bank, get a loan and buy the property out-right, but he'll explain in the presentation why this option is the least appealing. One of the reasons is that the interest rate for the bridge financing is lower than permanent financing which will provide higher cashflows for the 3-years they have the bridge financing. Another advantage is that the FIB bridge loan is only requiring the equity value of the River Ridge property itself and the Rattlesnake property, once released from the Palace project, in order to secure the financing. Once the Rattlesnake property is released from the Palace project, it would roll right over as secured equity for River Ridge as FIB will accept the recent appraisal of the property. It would only take a week to close with FIB, but Steadfast needs at least a month. FSB also had a really good proposal offering a $2M loan with up to $150K line of credit with no prepayment penalty. FSB's interest rate is only 3.25% vs FIB who's offering 3.5% but FIB is interest only. FSB's origination fee is less than FIB. There are two draw backs on FSB. First, there is no final approval so it is uncertain how soon they can close. Second, they're looking for collateral on three separate properties and we would need appraisals on the properties. The appraisals can take anywhere from 30-45 days. PNC didn't bring much to the offering table. The amortization rate is lower, the interest rate is higher not to mention adjustable. It's a higher origination fee and comes with a prepayment penalty with a 45-60 day closing.

Hoffmann asks if FIB is what Wells is recommending for a bridge loan. Wells agrees that FIB is the staff recommendation. Hoffmann asks the board for their thoughts on the subject. Bangs states he would like see the long term financing break down first before making a decision. Wells states he'll first go over the condition of the property and then talk about options for long-term financing. In the materials handed out, there is a physical needs assessment (PNA) with a spreadsheet break down. There is a range with low numbers provided as estimates by the architect. Wells feels these numbers are strong estimates. Sam Oliver, in being cautious, felt there should be some padding added and a range created. The second set of numbers shown is using a 1.5 multiplier for estimate of the numbers. The architect has said that none of the numbers have contingency. For immediate repairs MHA is looking at 11K-17K in repairs on the day of closing. This estimate includes items to bring the property up to code such as electrical outlets being moved, switches changed in ADA units, breakers and emergency kill switches to the pumps in the mechanical rooms. These items could be covered by the additional line-of-credit on the bridge financing offered by both FIB and FSB. First year repairs are represented in the second column. The biggest item listed in the First year repairs are the washers and dryers. With the current washers and dryers, the issue is no one knows exactly who owns them. MHA has told the sellers that we do not want them. MHA does not want the legal responsibility if an owner appears after the closing. Additionally they are older appliance units. The current onsite management is fixing them as they break even though they do not own them.

Wells states the property is in really great condition as far as immediate needs. The first major expense within the first 3-5 years will be the useful life of the roof. The shingles are starting to delaminate. No leaking has been found but it will need replacement in the near future. There are some net present value benefits that will be shown later on why one funding option is better than the other.

Wells directs board to view the 10-year capital needs. Wells states this is when we start coming into some other big ticket items. Under this column there's a total of $291K in the first 10 years. Wells has backed out the roofing cost from this figure as this will come ahead of it. These are items such as boilers that will be coming to the end of their useful life. Best case scenario, these boilers will last as far as the 30 year mark of their useful life. When this is all added up, this equates to $700K in capital needs over the span on the 10 year mark.

Wells directs board to look at exhibit A. Wells states there are several financing options listed. The first two are conventional debt. This would cashflow anywhere from $127K to $131K since there is lower debt and no property tax. This is also using numbers based on the property's current expenses. The big problem is MHA would only get 75% to 80% loan-to-value (LTV). This would mean MHA would have to cover the other 20-25% which would be somewhere between $500K and $525K. When you plug these numbers into net present value, using a very conservative 5%, the numbers displayed on the right hand side of the page shows net present values to MHA at years 9 and years 15. In year 9 it would be worth $470K to MHA and year 15 would be worth $752K. This is adjusted for inflation. If we are in the higher ball park for repairs that value drops to $375K for year 9 and $498K in year 15. The next two calculations are basically not financially feasible. That's if MHA drops more of the units down to the 50% AMI level. The project won't cash flow. In the end it's a net loss to the housing authority. The next calculation is an acquisition rehab, where MHA would put $40K per unit into the project. What this does for the project, besides repair the PNA items over the next 15 years, is give the housing authority a $750K developers fee in the first couple years. It also extends the life of the project without coming up with any down payments. The useful life of the project gets pushed out with all major systems being upgraded. Other changes would include a metal roof, new windows, cement board siding. MHA would also be able to lower rent qualifications to 51% of the units at 50% AMI and 10% of the units would be at 40%AMI for points on the application but still allow the property to cashflow. At Year 9 the Net Present Value is $905K, and Year 15 is over $1M to MHA. The big downside to this option is it is very competitive to acquire the tax credit award and may take a few years. This is why the bridge loan comes into play. It allows the property to cash flow nicely until MHA can land a tax credit deal for the property. MHA has put a pre application in for the site for an MBOH award. If the board gives the staff the ok to move forward with looking at a tax credit deal, the next step would be to put in a full application on this site for the MBOH award. On the 12th of next month the MBOH board is going to give feedback on the applications. If they do not want anything to do with the application, then MHA can move on to another option. If there is positive feedback, then, in Wells opinion, the project is worth pursuing.

Hoffmann clarifies that this will be on the 12th of August. Davidson concurs and adds that this is a new process implemented this year by MBOH. Davidson states that all applicants for October's application round must have a pre application submitted to MBOH by last week. Davidson states that there has been one already completed for River Ridge but if the board does not wish to move forward with pursuing tax credits, then the staff will abandon the efforts on the application.

Wells continues stating that if the 9% credits do not work out, there is still an option of pursuing the 4% non-competitive credits. The rents would be the same and the expenses would be the same and the state is going to size the tax credit deals so you cannot get over a 115% debt service. The big difference is there will not be an ability to carry out as much rehab on the property because of the excessive bond costs and the lower equity you get from a 4% vs a 9% deal. MHA would still be able to do a good amount of rehab and still be able to replace major systems but wouldn't be the same amount of green features. MHA would most likely do a traditional roof and not a metal roof. MHA would most likely leave the siding where it currently is as another option. The difference in the net present value is that the project size is a smaller scope and therefore a lot less for a developer's fee. There is also a huge financing gap with a 4% deal for a project this small. That is another hurdle that will have to be crossed before a 4% deal is feasible.

Hoffmann asks if MHA would look to give itself 2 years to secure a 9% deal and then go after the 4%. Wells responds by stating when the project receives its scoring back from the first application we'll evaluate whether the project scored high enough to warrant a second year trial at the 9% round. Wells adds that Acquisition rehabs traditionally score very well, and much better than new construction in a couple areas. This project is a 100% senior which will get points for what was missed on the East Missoula project. Unless there are a lot of other acquisition rehab projects, Wells anticipates this scoring in the top 1 or 2 spots. Wells states that MHA will have a better idea on the 11th with regard to competing projects.

Wells moves on to 223 HUD financing stating that this funding source may tie in with regard to 4% tax credits. This funding source is designed for a quicker approval rating and it goes from $40K per unit to $15K per unit. The kicker here is that MHA will only be able to replace two major systems. The other kicker is that the cash flow numbers are hard to predict now because we would have to do a $25K physical needs assessment above and beyond the PNA that has already been done. This is required for both the 223f and 221d loans. Aside from the replacement of two major systems, anything not covered from the PNA would need to be paid for by reserve account set aside from the beginning.

Wells states there's a huge backlog of projects and the processing time is still not short. We understand that the processing time is still one year. If we use it at this point and still want to combine it with a 4% or 9% we still have the time to put it in place. Wells states they will still run this in conjunction with regular financing. The numbers for the net present values are derived using conventional hard debt with the tax credit deals. If we can manage to make a 221d or a 223 app work it just adds to the return. Wells states he always does his budget drafts using all options.

Wells recaps stating this is a look at the best case and worst case scenarios. Wells states he always does his budgets with the worst case so that there isn't something that can blow up in our face if the best case doesn't happen later. Wells likes to see if everything went wrong, how's it gonna look, if everything went right, how's it gonna look and will MHA be still ok if either one happens. Wells directs board to look into their packets to see a proforma completed for a 9% acq rehab. Wells spent a couple days putting it together to make it match the MBOH and LIHTC formats. That way if MHA decides to go with HOME funds or with LIHTC it can take the numbers and just plug-'n-play them into their tools.

On the Exhibit A spreadsheet, it is assumed that the permanent debts are based off of the current and actual operating expenses of the project. With an acquisition rehab the maintenance costs should go down as seen in the spreadsheet by having unit costs decreased by $500 per year. This puts it more in line with other state funded projects. Wells feels very confident about the numbers shown. As a comparison, Wells has compiled a scenario using the HUD 223 as a stand-alone financing option. Wells states this would allow for $15K worth of rehab, puts the project value at $1M+ at Year 15, but it ends up being that the project barely cashflows. If the Capital Needs Assessment comes back with findings that it needs higher reserves than $300 per unit, something Wells feels it most certainly will, the project does not cashflow positively. In conclusion, a stand-alone 223 at this time is not an option. With a HUD 221(d)4 loan, there is a similar structure with a higher interest rate, yet, a lower amortization period. With either a HUD 223 or a HUD 221(d)4 as stand-alone financing, MHA would have options if found to be in a pinch but neither financing option is a great option. This is especially so considering the higher equity and cash requirements. Wells recaps, stating the staff recommendation after reviewing all options is that the monthly payment alone from FIB's bridge loan makes it the best option. It would allow MHA to start banking some of the cashflow over the next 3 years for which ever option is the best at the time. It's a possibility that in 3 years the tax credit program could be gone and MHA would be forced to go with another one of the permanent financing options. Putting the cashflow away in reserves would offset the cash requirements needed for a stand-alone option.

The best return would be with a 9% competitive tax credit award which MHA may not win. If not awarded, this would leave MHA to decide between a 4% tax credit deal or just buying the project outright. If interest rates go up, it's going to mean a 7-10 year balloon. With a tax credit deal, MHA could lock permanent financing for 16 years. Wells requests that the board make a motion to proceed with a bridge loan from FIB and to allow MHA to move forward with the analysis for a 9% tax credit application. Wells states a motion would be needed later to approve the submission on 9% tax credit application if viable.

Hoffmann asks if there is talk in Washington DC on the deletion of the LIHTC program. Davidson states there is always discussion on the deletion all of the tax credit programs. So far they have not been cut. One of the big discussions now is whether to fix the interest rate at 9% or to allow it to float again. Right now, the interest rate is set to go back to floating in the 2014 round—the same round of funding MHA would be applying for should the board authorize to pursue. Davidson states Wells' calculations are based on a floating rate rather than a fixed 9%. The floating rate may contribute to limiting the number of applications the board of housing may get this year as they may not be able to cashflow without a fixed 9%. This is something MHA will be able to determine on the 12th of Aug at the MBOH meeting. Davidson states that if any of the housing programs survive it will be the tax credit programs as they provide a great financial benefit to private investors, accountants, lawyers, consultants and bond issuers. They are also may be the only way to build affordable housing as other options are so extremely limited. The 9% and 4% tax credit programs are the only game in the country for affordable housing any more. Wells adds that MHA can fall back on permanent financing if we need to as there's a lot of room in there. If interest rates start climbing MHA can always pursue this route quicker without prepayment penalty on the bridge loan. We just cannot keep the 9% option if we do not start the process now for this year's funding round.

Bangs is happy to see that MHA can start with the pre-application and should know within a month what the competition is and how this project sizes up against it. Wells adds that with the full applications due in October, MHA will know by the end of the year if we have an award. Davidson is also happy to see the MBOH providing feedback from the preliminary round as developers around the state have been asking how to know what the competition is without going through the hefty expense of pursuing the full application blindly on how they size up. Bentley asks if this is more for the benefit of the applicants rather than for the board of housing. Davidson responds stating they are hoping there will be some discussion at the meeting from the board on what their direction is. If they hear from MBOH that they are not looking to fund any acquisition rehabs this round, that saves MHA a lot of time and money. This is a new process and we're not sure what to expect to hear as feedback.

Bangs states he feels there is real danger of losing the 9% tax credits by vote of Congress. On the one hand it makes a large number of private entities a lot of money but on the other hand it costs the government a lot of money. Bangs is sure there are a lot of people out there who understand just how much money it costs to continue the program. Bangs feels this will be a real battle but we must do everything thing we can from a policy stand point to save it. As it was pointed out this is the only real game for building affordable housing across the country now. Bangs see no reason not to follow what is being suggested by staff to pursue a 9% tax credit application. Bangs adds that in doing the Intermountain project, we've found that First Interstate Bank will work with us if things take longer than we anticipated. Davidson points out that we've also had a great deal of luck with First Security Bank. There are only a few overriding reasons to recommend FIB on this deal, but MHA is working with FSB on other deals.

Bangs motions to forward with closing on the FIB bridge loan and to pursue the 9% tax credit application for the 2014 round of funding. Bentley seconds. Lund abstains. All other members in favor. None opposed.

c) City Surplus Lots

Wells states having talked with Loken. Wells states he has inquired on the purchasing of Loken's 4 lots behind the 2 adjacent city lots. MHA received a little push back as Loken is using these lots as staging for some of his other projects for current construction projects. Loken is not opposed to selling in the long term, but for short term this creates a problem for Loken's staging area. Loken has steered Wells to look into 4 other lots, also owned by Loken, located just a block down between the car lots and the air conditioning wholesalers. Wells states these other lots are not a bad site, offering them at a fair price of $150K thought not allowing MHA to leverage the adjacent city lots to Loken's other 4 lots which were originally inquired about. By coincidence, MHA has been going to meetings with the city on their roundtable discussions to do Homeless housing. Wells states at these meetings there was a great deal of discussions on what everyone would like to do, throwing out numbers on what they've thought might work. So Wells spent some time on Tuesday putting together some numbers on what it would take to manage a small project target towards homeless. Wells looked into doing a 6-unit project, what it would cost to build such a project and presented it at one of the roundtable discussion as some realistic numbers on what a project would cost. Davidson adds this is in conjunction with using city HOME funds. The city has about $600K of HOME funds from past allocations that have not been awarded. It has another $250K-$300K coming in a future round. The city's thought on purchasing Brownie's was that they were going to combine their award with $750K that they thought the state was reserving for them, allowing the city to use approx. $1.5M in total funds that they hoped someone would come forward to do a project with on Homeless housing. It turns out that the state did not reserve the $750K they intended to receive. This brings the city back to the $633K mark.

The state HOME application round closes on Oct 2nd. If they don't get enough applications to use the money they have, then the funds would be open to other participating municipalities to use the funds for projects in their jurisdiction. This includes Missoula, Great Falls and Billings. Davidson is fairly certain Billings and Great Falls will be going after these funds if opened to them after Oct 2nd when they're eligible to apply. The city of Missoula or a project from MHA could also go in and apply. Wells continues stating the city is favorable of MHA using the 2 city lots to do a project targeted towards homeless. Wells states he is using the term 'targeted towards homeless' as the project still needs some rents to cashflow. The city can only provide about $400K. If a project is comprised of 6 units, each costing about $100K to build conservatively, the project would still have to debt service about $185K- $200K. With the known expenses from other similar projects we'd be doing it with low HOME rents, utilities included at just over $500 per month. Davidson states that Open Aid Alliance has housing subsidy and are delighted to offer their participants such an option. Their participants who would have housing subsidy are frantically looking for units they can find at affordable rates. Some of their participants pay $700-$800 for units that are in poor condition. Open Aid Alliance would be delighted for such an option as it would provide lower rents and allow for more subsidies to help other participants. Their clients also pay the 30% of their income towards rent and the remainder is subsidized by Open Aid Alliance. We can also put shelter plus care or housing choice voucher holders into these units. We're hoping to target these units towards homeless which means primarily shelter plus care and open aid alliance clients. The Poverello has reported there are several homeless occupants that have jobs and could afford to pay some in rent. It would be open to those that do not have subsidy and just need a place that would work with them on security deposits and any other move-in costs. Wells requests a motion from the board allowing MHA to move forward with pursuing this analysis for a 6-unit homeless targeted project on the 2 city lots next to Loken. Wells would like to get as much of an application with numbers done as possible. Perhaps even put together a neighborhood meeting. This way if we get closer we can pull the trigger if this becomes an open application. Wells would not be surprised if this were to happen. The City, Homeword, the Poverello, Open Aid Alliance, YWCA, WMMHC, HRC, and Michael Murphy with United Way—who is also representing the 10-year plan committee—were at the roundtable meeting and in support this idea. The idea is that it is better to do something now rather than nothing.

Hoffmann asks if MHA would be the owner and manager of such a project. Davidson agrees. It's in very close proximity to the other city surplus lots that will soon have public housing units. With the HOME funds and conventional debt, MHA would not have to use disposition funds. This project would show the city that MHA is making progress on the last two of the city donated lots. Melton states that MHA manages one of Homeword's properties only a few short blocks away and already has a great relationship with neighbors in the area by both MHA and Homeword. So there's already an affordable housing project there and if a neighborhood meeting was to be held to address another affordable housing project, Melton believes the success of Fireweed Court would be of topic.

Wells states that for this type of project, we are looking to do 1 bedroom units as opposed to single room occupancy. The working poor and working homeless are some target groups along with voucher and shelter plus care participants.

Bangs states that the disadvantage of a 6-unit project is that it does not do much for the big picture. The advantage is that it wouldn't get neighbors as upset due to its smaller size. Bentley adds that a project such as this could serve as a good stepping stone for future projects as it will show the viability for it to work with a surrounding neighborhood. McGrath states that Michael Moore has emphasized that the 10-year homeless plan is to be carried out in increments over this 10-year span. A smaller project of 6 units would fit nicely with this incremental model.

Hoffmann invites board to address the issue of voting. Bentley clarifies as to which lots MHA is looking to pursue a project upon. Wells states it is the city lots at Dakota and California.

Warren motions to approve further exploration of a 6 unit project on the two city lots at Dakota and California targeted towards homeless as recommended. Bangs seconds. All in favor. None opposed.

Davidson adds that for the construction projects that are already underway on the city lots, things are moving well. Sam Oliver is getting bids from subs to get the remodel done on the house that was moved on site. Some things were delayed due to the Vantage Villa fire as it required an 'all hands on deck' effort. Oliver feels he'll be signing contracts with subcontractors within the next 7-10days. He's also starting work with Dennis Daneke in getting the site work done on the new build.

HUD has schedule a site visit. This is a courtesy visit to see how lots are progressing. Monica Aragon, facilities management specialist at HUD, will be visiting. Aragon will be accompanied by Diane Kiles. Should be here by the end of August to see the how the disposition fund are being used.

d) Palace Project

Davidson reports MHA is desperately trying to get this project closed out by the end of the month. The only thing holding up the release of retainage and the release of the letter of credit—which is the collateral for the FIB loan for River Ridge—is the insurance. The insurance is in place and they've issued initial certifications. PNC's analysts have had some comments and they're addressing these comments now. Davidson was hoping to hear back from them yesterday but did not. Once the insurance certifications are delivered to PNC, the retainage will be released. We also have been asked by Pete Brown, the State's Historic Preservation Officer, so see how quickly we can get Part 3 of the historic tax credit application back. He would like to have it approved in time for Max Baucus to mention it during his economic summit in Butte on September 16-17. Brown told Davidson if it was delivered to him fast enough, Brown would have it turned around within 30 days. Gavin Hanks was already working on this and will have it turned in tomorrow.

We're working to get all of the qualifications and obligations completed so MHA can close out on the permanent financing on or around Oct 5^{th}.

e) IDC Update

No update.

f) Rural Development Self-Help Program

Davidson states they are still working with Nancy Jacobson and NeighborWorks on the second build. Davidson thinks that all of the appraisals on the new lots and houses are completed. They were hoping to close those 10 loans by the end of the month. Build may start by mid-Aug. Davidson states MHA is still working with Nancy to transfer the grant to MHA. This will allow MHA the ability to apply for another 2-year grant. We are meeting with Community Frameworks, an agency with SHOP grants. SHOP grants are HUD grants based on sweat equity and can be used for land purchase. These grants have been used with RD projects in the past. Jeff Nicely of Community Frameworks will be in town on Aug 12th to check out the RD sites' completed structures and new lots. Davidson will be back from MBOH in time to meet with Nicely later that afternoon. Ragsdale, Wells, Oliver, Johnstin and Moore of MHA will accompany this meeting with Nicely on the 12th. This will be a big step in helping us get this grant transferred by having Community Frameworks on board and teaching us on how to apply for the SHOP grants for future projects.

g) Stevensville Property

Davidson states the free due-diligence period for NWE has passed. Worthington was kind enough to remind MHA that after June 26th their earnest money becomes hard. MHA has been in touch with NWE's attorney John Tabaracci. Next week they'll be cutting a check for June and July for their hard earnest money due while they continue their due diligence on the project. We did not get any update on their intentions or where they are at in regards to the purchase. Hoffmann asks if there is still a loan in place on the property. Davidson agrees. Worthington states that the agreement was set up so that the $22,500 deposit of which $2500 becomes refundable. The remaining $20,000 should cover the loan payment due in November.

h) Homeless Housing Update

Davidson states her updates were explained earlier in the meeting with the city lots. Davidson asks Worthington if she has any updates from the committee. Worthington states the key in implementing this plan is to hire a full–time staff member to implement this plan. Earlier this spring, there was an agreement in the Mayor's office between the city of Missoula and county of Missoula that the cost would be shared jointly on this new hire. Worthington states the city and its budget, adopted in July, has put its share of the money into this budget line item. The county has failed to do so. The committee has had conversations with the county but unfortunately there is no status on what is happening with the county's half of this cost. Informally, Worthington has been advised that if the county does not fund it, the committee will figure out how to come up with the money. There is no action that has to be approved by city council, but unfortunately this is what is stalling the process of hiring someone from being moved forward and ultimately implementing the plan.

XI. New Business

None

XII. Old Business

Legal Services-Strategic Plan

Davidson states that MHA has folded the discussion for legal services into strategic planning. However, there has been little done on the strategic plan since the meeting. Davidson anticipates working again with the board on strategic planning in the next month.

a. Changes in Procurement and Personnel Policies

No updates

b. Board Training opportunities

Davidson states the next NAHRO conference will be held in mid-October. They always have commissioner trainings. The training will be held in Cleveland. There is also a HDLI conference in Cleveland. HDLI stands for Housing Development Law Institute which specializes in public housing and affordable housing law. Davidson hopes to talk Worthington into attending as it keeps staff and legal counsel up to date with public housing and affordable housing legal changes. NAHRO also has been pushing their credential programs. They are going through a national accreditation process so that their certifications have national recognition. There is a certification board at the national level that will be looking at their programs. Davidson states that NAHRO has been under review by this certification board for several years. Davidson states as part of her participation on the Board of Ethics and Credentialing Trustees she helps oversee the policy that is implemented for those credentials and certificates. There are certificates for Board Members. Davidson is currently pursuing a CME-Certified Management Executive. Davidson will gather more information on what it would take to become certified through NAHRO as a housing authority commissioner.

Davidson reports she is being appointed by our regional NAHRO president, Patti Webster who is the Deputy Executive Director at Billings Housing Authority, to a community revitalization committee. This is mainly a policy board for programs outside of public housing and section 8 for affordable housing, mainly HOME and CDBG. Davidson will start this term in October. Davidson is also being reappointed to the Board of Ethics and Credential Trustees.

XIII. Adjournment: The regular meeting was adjourned at 7:34 pm

Jamie Hoffmann, Board Chair

Lori Davidson, Executive Director