

Missoula Housing Authority Board

Regular Board Meeting
Wednesday, Oct 19, 2011

-MINUTES-

Members Present: Jamie Hoffmann, Sheila Lund, Colin Bangs, Betty Zander, David Warren, Emily Bentley

Members Absent: Fred Simpson

Staff Present: Lori Davidson, Kevin Schouweiler, Jim McGrath, Gloria Fortier, Adam Ragsdale, Karl Pare, James Weir

Guests Present: Kelly Camel, Rhonda Swaney, Keithi Worthington, Pat Corrick, Jim McLeod, Ken Staninger

I. Call to Order: The meeting was called to order at 5:28 pm.

II. Attendance: See Above.

III. Intro:

None

IV. Minutes:

-Sept 21st, 2011

Corrections presented: Fred Simpson is found in both the Members Absent and Members Present list. Simpson states being present for this meeting. Emily Bentley states being absent from the meeting but is found in the members present line. Corrections agreed upon by board. Bentley motioned to approve, Bangs seconded. None opposed. Minutes approved with all in favor.

V. Conflict of Interest Disclosure:

VI. Commissioner Comments

None

VII. Public Comments on Items not on Agenda:

Davidson introduced Kelly Camel and his mother. Ms Camel interpreted for Kelly Camel his aspirations for running a clothing line. Business plan was included with Board packet for all members to review. Kelly has a business license for the marketing and sale of his own clothing line in Missoula. Kelly wishes to use his Public Housing unit for the

storage of inventory and other administrative duties associated with the business. After review of the anticipated traffic for his clothing line, very little impact is projected as the result of his business and it does meet city zoning. Kelly has a backup plan if the board is unwilling to grant approval. A second location for the business has been planned. Davidson recommends allowing the approval of the business. Bangs expressed his only concern is if it meets city zoning, which he agrees it does.

Bangs moved to approve the authorization for Mr. Camel to operate his business from his public housing unit. Lund seconded the motion. None opposed. Motion passed with all in favor.

VIII. IDC Update:

IDC update: Pat Corrick and Jim McLeod have received a formal letter of invitation to submit a firm commitment for a HUD 221d4 Loan on the IDC site. MHA's existing loan matures on November 20th. Corrick is requesting an extension on the Buy/Sell agreement.

Davidson states that the current potential investor for the Palace project has a tax credit proposal in at .93 cents with terms requiring a reserve account with \$750K in unrestricted cash for the next 18 months. Davidson is concerned with keeping that balance for the next 18 months.

Corrick addressed the board stating that they now have 120 days to provide HUD with construction documents and get a construction contract with a HUD recognized contractor. With the cost being in the neighborhood of \$550k Brownstone elected not to start any of this until they received an invitation. Brownstone has until March 17th to submit this. There may be a possibility of extending this with HUD but as of now March 17th is Brownstone's internal drop dead-date. There is a boundary line adjustment to be resolved with OPG before closing as well. They've been working with MRA for a tax increment (TIF) bond. They have identified a buyer for the bonds through a private offering.

Corrick present two offerings to help MHA with its cash reserve needs. First, an Infrastructure bond payment is due in January that is roughly \$13,000. Second, interest payments are being made to First Interstate bank on the IDC loan. Brownstone is willing to further carry on monthly payments for the interest.

Hoffmann asked what the current interest payments are. Corrick states it is just under \$8500. Hoffmann asked if this will help get MHA to its goal of \$750K. Davidson responded that it will help.

Bangs and Davidson had an open discussion to clarify whether this will help to get MHA to its goal that our potential equity partner. Bangs further asked if there are other potential equity partners that do not have a \$750k cash reserve requirement. Davidson responded with there are other potential investors but that their offers would be lower than .93 cent on the dollar for the tax credits.

Keithi Worthington brought up the point that the potential Palace investors are not aware that the loan is not going to be paid off as intended in November. She is concerned as to what position the investors might take if an extension is granted by MHA which may pose extra risk. If extended, Brownstone has the option of walking away, leaving MHA at risk with accepting the investors terms only to later be making payments on the IDC loan and thereby depleted the cash reserved needed.

Jim McLeod adds that they have equity ready to come in right away for the drawings. For them it's a timing issue. Nobody will bring their equity in unless ample time is allotted to move forward.

Worthington clarifies that this issue is not a voting matter but to be further discussed and brought back for a decision through an IDC board meeting in the near future. Worthington would like to see a closing date of Dec 31st.

McLeod expressed concern about losing investors with too short of a timeframe. Corrick also says that it's hard to push for a close that is right at Christmas time.

Lund asked with the cost for an extension on the loan would be. McLeod responded that Brownstone is willing to pick up the costs. Davidson states that she is unsure what the costs would be but that they would hopefully be minimal. Corrick mentioned talking with Leslie at First Interstate about their invitation from HUD on the loan.

Bangs showed enthusiasm as to the recent proposal of .93 cents for a tax credit investor and for the news on the Brownstone Capital HUD invitation. Corrick states working with Humphries, who had worked with HUD in the past on architectural proposals for their 221d4 process. Bentley asked when an action can be taken on this decision. Davidson states an IDC board meeting must be scheduled to vote on the extension and terms.

Corrick asked to have the meeting as soon as possible. Davidson stated an IDC meeting could be scheduled for the following week. After discussing schedules, Tuesday the 25th at 9:30 in the morning was agreed upon for the special IDC board meeting to discuss the extension.

Ken Staninger gave comment that Brownstone Capital has an equity interest in the deal. If this deal does not close, the board needs to keep in mind the consequences of having an equity interest from the loan interest payments made to date. Staninger suggests finding a financial incentive to put in place for them to close earlier than March 30th if MHA's equity requirements are that important.

Worthington further explains concerns of carrying the cost and risks. Worthington explained that Brownstone already has financing, but not as favorable terms. With the invitation in hand, Brownstone Capital could be seeking a bridge loan to carry the closing of the property. The risk would then be shifted off of MHA. As it stands, Brownstone Capital has roughly \$88k in equity that MHA would owe if they decide later not to close. Worthington feels MHA should not be hold onto such risk.

Bentley asks what incentives MHA can offer to Brownstone to close earlier than March 31st.

Staninger provides an example of that if they haven't closed by March 31st, they need \$150k worth of non-refundable earnest money and their interest is gone.

Bangs feels that this is a winning deal and that it will go through unless a move by MHA forces a sale-fail. Bangs suggest giving the matter some time and trading emails for further discussion on the issue.

Bangs offers to follow up with a call to Pat Corrick to clarify why closing in March means so much more than closing in December. Board members approve of this action. Worthington advises caution to not make any representations of the Board during such call. Davidson suggests talking with Ken and Scott further on possible terms that can be offered to Brownstone.

IX. Action Items

Resolution 950- Approval of List of Hearing Officers

Davidson states as a requirement of Public Housing regulations, approval from the Board of Commissioners is needed for the list of hearing officers to be used for formal and informal grievance processes. New law students at the University of Montana have come forward to volunteer. McGrath added a correction for the fifth name on the list. It should read "Harkins" as the last name. Bentley moved to approve resolution 950. Bangs seconded. None opposed. Motion passed with all in favor

Resolution 951- Authorize Uncollectible Accounts to be Written Off

Lund inquires about Janette Hallberg's balance. Karl Pare explained the \$5387.35 balance. Only \$234.00 was rent related, the remainder was damages to the unit and the costs placed upon the tenant to return it back to inhabitable condition.

Lund motioned to approve resolution 951. Zander seconded. None opposed. Motion passed with all in favor.

X. Staff Reports

a.) Palace Project:

Court Allen is negotiating with PNC, our investor and lender for the Palace project. The Historic tax credits are at 93 cents and the Federal tax credits are at 93.5 cents on the dollar. As of today MHA may do a pre-development loan to buy out the Mercy Loan and get the carry-over on the tax credits by the end of the year. This will give MHA breathing room to get the partnership closed and the land secured with ample time. PNC's construction loan is at 2.75% interest. Based on the LIBOR rate +.5, the perm loan has a long-term fixed rate at 6%.

Lund asks if the rate changes monthly on the construction loan. Davidson responded that the rate is tied to an index and will only fluctuate when the index does.

The cash waterfall is set up so that the cashflow comes to MHA as a loan into the project or management fee (above the standard management fee). First the investors would get a management fee of \$150 per unit per year. Second, MHA limited partner's management fee would be paid, followed by the loans for the grants MHA has made to the project. There is a 90/10 split on any money at the end of the waterfall with MHA receiving 90% and the investors receiving 10%.

Most of the equity comes in after the project is complete. Because of the low interest rate on the construction loan, we are able to push back the entry of the equity which in turn increases the pricing on the tax credits.

Davidson states MHA is still looking at a perm loan of approx. \$1.1M. Newbanks member Cosmo Marfioni was at MHA yesterday. Marfioni helped Sam and Josh create 17 boilerplate bid packages. Just need Gavin Hanks to fine tune them with the products and approved specs. MHA is coming close to getting out the bid packets. This should go out by the next board meeting and due the end of next month. Still have to allow the state HOME committee to review these bid packages before submission which will happen the first week of November.

Bentley inquired about the status of the common space/tax lien issue with the Badlander. Davidson states the attorneys are still working out the issues. Davidson further inquired if we could split the lien. Court Allen has advised Davidson that the investors will not be receptive to having a lien on the property whether it is split or not. The entire lien must be removed from the property, regardless if it is on the common areas or not. MHA will need to pay it off.

Lund inquired on the identity of the Bavarian Group/PRAHA's members. Davidson states Scott McIntyre, Mark McElroy, Chris Henry as the partnering members. Chris Henry is negotiating a split from the partnership.

Worthington explains looking at having the by-laws redrafted and having the Bavarian/Praha relinquish their common interest down to 1%. Then draft up a shared use agreement. Follow up with Mountain West would be taken to see if they would remove the lien against the common areas, or at least reduce it. Adjustments of the use agreement with Bavarian/Praha include a reduction in the decibel level of the bands, a ban on using posters and marketing their windows, and take down the neon lighting on the front.

Davidson announced the return of City HOME funds received for the Palace Project. MHA is keeping the state HOME funds, the city CDBG funds for the project. The financial feasibility of the project was at risk by keeping the city's funds. The city HOME program has a competitive group of applicants and was not in a position to negotiate the terms.

Bentley asked to further clarify the issue with Bavarian/PRAHA partnership split. Worthington clarified that there are 4 business partners. MHA primarily deals with two of these four. PRAHA is having cashflow problems and one partner is wanting out. Since the tax lien was incurred before the split, if any cash were to be exchanged

to buy out the partner, MHA wants to be paid back first for any their tax debts we pay. Worthington further clarified that PRAHA Inc is the business entity that owns their business and Bavarian Enterprises owns the property. Davidson also states that their partnership has shown willingness to assign the rents of the salon to the Housing Authority as a means to pay back the tax lien. This is being negotiated by the lawyers involved.

b.) Silvertip Update

Davidson states that framing is nearing completion and the project is moving along well. This should be all framed in by October 18th. The buildings should be all dried in by December. Worthington stated the crew is working all week including weekends.

c.) IDC Update:

Held earlier in the meeting.

d.) Public Housing Disposition

Davidson reports that 207 Grandview will be closing next week. All approvals from HUD were received last week and the property will be closed tomorrow. There are two more properties and one lot still for sale.

e.) Burns Street Property / Rural Development Self Help Program

Davidson reminded the board that NeighborWorks was successful in getting the 2011 funding. Davidson states that funding for RD loans may not be available in 2012.

Davidson states needing office space to house the staff for the RD program. Davidson is looking to use the stone house which NMCDC is currently occupying as a possible location. MHA will need space starting in April for staff and family meetings. Davidson is looking to ask NMCDC ahead of time. MHA is maxed out at the Russell Square project and the Palace for office space.

Hoffmann asked if this is just for 3 staff. Davidson clarified that the space is for a minimum of 3 but that a larger area will be needed weekly for family meetings. Talks with Brownstone Capital have been held to discuss possible new office space on the IDC site but this is a minimum of 2 years away.

Bentley asked if NMCDC has approached MHA with regard to buying Burn Street Property. Davidson responded that they have approached MHA about buying vacant units as replacement public housing. MHA is still looking at obtaining site approval from HUD on 4 units for replacement public housing. Davidson states Bob and Jerry have the due diligence already done through their initial legwork in constructing the project. Davidson states Bob and Jerry have not been able to be motivated to pull out this information and tweak it. MHA is more than willing to help with tweaking an application for HUD, but cannot devote the staff time that would be needed to recreate much of the information she thinks is already available from NMCDC's previous grant applications.

Hoffmann expresses concerns about asking for the space back when NMCDC is having such problems in regard to Burn Street Commons. Davidson states that MHA is willing to work with Bob and Jerry on purchasing replacement public housing, but is not in a position to commit staff to do the work for information they already have. Hoffmann offers the thought of what would happen if NMCDC were to go belly up and the land trust units would have to be absorbed. Davidson states that Bob and Jerry have been working diligently with grant writing for a Montana State-wide Land-Trust as a Parent Company to help failing land trusts. Davidson feels this is where Bob and Jerry's efforts have recently been focused. Hoffmann again states that without the umbrella company in operation, what would the city do with a land trust if it fails?

Bangs gave view point that NMCDC may feel since the purchase of units is not moving forward that MHA is kicking them out of their office space as a form of retaliation. Davidson agrees, but MHA is desperate for office space. Davidson offers to ask NMCDC if they have options first before approaching them to move. Gloria Fortier added that it would not be too unreasonable after 15 years of rent free office space.

Bangs offers the idea of approaching Dennis Williams for space at the triple W building. There is a large conference room at this location. This location is closer to the RD self help lots as well. Davidson agrees this would be a great location and wishes to further pursue the option of using the conference space for family meetings, but it does not solve the problem of space for staff. Bangs will follow up with Williams on this location.

f.) Homeless Needs Assessment

Worthington states that at the last meeting the "invisible homeless" and homeless children were discussed. Two members from the committee are putting information together on a recent survey that was sent out. More updates to come.

g.) HOME program

Davidson states that MHA withdrew its letter of interest for a second project on the Valor site. The VA will not let MHA use the space at Valor for anything other than transitional housing for veterans. No alternate sites were able to be found by the deadline.

McGrath added that despite having not working out a deal for a new project, funding has been approved at the State level for MHA to receive 5 new Shelter Plus Care vouchers. These vouchers will not be project based, but rather tenant based vouchers.

New Business

None

XI. Old Business

a.) Board Development Committee

Adam Ragsdale provided material on a Nelrod Training conference in Vegas in February. Members can email Ragsdale if interested in any of the trainings.

b.) Property tour

Two site tours will be made to break up the full tour. Board members are to email times that work or are not feasible to Adam Ragsdale. Four hour blocks of time are needed for both tours

c.) Commissioner Handbook

Davidson states that time will be scheduled to go through the first chapter of the Handbook for commissioner when it can be coordinated with Melissa Bangs.

XII. Adjournment: The meeting was adjourned at approximately 7:43 pm.

Jamie Hoffmann, Board Chair

Lori Davidson, Executive Director