

Missoula Housing Authority Board
Regular Board Meeting
Wednesday, Mar 27st, 2013

-MINUTES-

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

Members Absent: Emily Bentley (*arrived to meeting at 5:47pm)

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

Guests Present: Keithi Worthington

- I. Call to Order: The meeting was called to order at 5:35 pm.
- II. Attendance: See Above.
- III. Intro:
-None
- IV. Minutes:
-Feb 20th, 2013

No corrections. Warren motioned to approve. Simpson seconded. None opposed. Motion passed with all in favor.
- V. Conflict of Interest Disclosure:
None
- VI. Commissioner Comments:
None
- VII. Public Comments on Items not on Agenda:
None
- VIII. Action Items
None

IX. Staff Reports

a) EPC Refinance

Davidson reports Johnson Controls Inc (JCI) has contacted MHA suggesting a 2nd phase of the Energy Performance Contract (EPC) on the public housing units. This would depend on the refinance of the original loan for the EPC from Municipal Leasing. Davidson is excited about several ideas that JCI has for a second phase of the EPC. One example is a solar hot water heater at the 4th street site. Pare adds that upgrades such as solar energy and more energy efficient air conditioning are to be investigated for multiple public housing sites including Vantage Villa, Toole Street and Pullman Ave.

Davidson states these upgrades will be paid for by refinancing the original loan. Due to terms of the original loan, there are penalties if refinancing is done prior to Sept 23rd. After this time, Municipal Leasing states they can refinance the loan from an interest rate of 5.59% down to 2-3%. This will reduce payments and give more cash to further improve the public housing stock.

Simpson asks when JCI would like to start work on the upgrades. Davidson states the financing must be in place, along with HUD approval and a myriad of other requirements, before work can be started. Pare states he will discuss this at tomorrow morning's meeting with JCI. Pare states the meeting will be to discuss possible improvements followed by a site tour to explore any other opportunities not already thought of.

Municipal Leasing is doing a refinance analysis to give MHA an idea of a 2nd phase budget.

Bangs states he would like to see a year-end report for the last two years on the solar array from the Garden District. Bangs states it was promised to be delivered by the installers of the array, but he has not seen any figures on what the array has been providing in terms of pay-back on energy savings. Davidson states she had received an email but the data was non-specific. Davidson adds the same information can be found on the monitoring website. Davidson will try to approach the installers about receiving another report with better information on the financial savings from the solar array at Garden District.

Bangs asks if JCI will be investigating individual heating systems with the evaluation. Pare states that they will be. Bangs states he has looked into them in the past and found the cost per unit was double what it was an area such as Minneapolis. Pare states they are looking into an LG model and will provide Bangs with further information on the specific unit.

b) River Ridge Financing

Davidson states MHA is waiting for Steadfast to produce a Purchase and Sale Agreement. Steadfast has asked to have their attorneys draw up the agreement because their attorneys are familiar with the conditions that need to be met for their investors. Worthington will do a review when the agreement is completed to make sure acceptable terms are met for Missoula Housing Authority. Steadfast has accepted a principal offer of \$2M. Davidson is still looking to obtain bridge financing. Davidson has received two responses for this. One response comes from PNC, with a Fannie Mae Adjustable rate mortgage at 80% loan to value. Davidson has concerns on having to come up with the remaining 20%. First Interstate Bank has provided the second response with 100% financing for \$2.1M. Davidson clarifies by stating \$2M for the purchase price, with \$100K of predevelopment costs at a 4.25% rate for 2-years with an option to extend for 12-months. First Interstate Bank (FIB) has asked MHA to have \$300K in reserve for this option to be later exchanged by collateral using the Rattlesnake property when it is released as collateral on the line of credit for Bristlecone. Davidson reminds the board of the terms on the line of credit. It is in lieu of a payment and performance bond Bristlecone needed in order to proceed on the Palace project. The line of credit is collateralized by \$150K cash on MHA's books and the Rattlesnake property, appraised at over \$500K. Though the line of credit terms were set to expire April 30th, FIB has extended it through July 30th at no extra charge, and with the release of the \$150K cash reserve requirement to allow MHA to fully complete the project.

Davidson plans to have the Rattlesnake property used as collateral on the River Ridge project once it is released as collateral on the line of credit for Bristlecone. Permanent financing will be either 4% tax credits with a bond which, is non-competitive and may take up to a year to put in place. The other option Davidson is exploring is with HUD 221D financing. Hoffmann asks if MHA should pursue a HUD 221D loan given recent issues with the application process for Brownstone. Davidson states the backlog has since cleared away and HUD has been able to get through the pipeline of applications much more quickly. This does not reduce the amount of paperwork that is necessary to complete the application process but both scenarios would use a HUD 221D loan. Davidson explains further that the method of using 4% bonds in a tax credit deal would be to have the state issue the bond until the project is placed in service and then have the financing switched to a HUD 221D loan. The advantage of this is the interest rate is even lower than the 4% bond financing with a 35 to 40 year amortization. Hoffmann asks if it may be more advantageous to do a larger project rather than a smaller project. Hoffmann explains further that his idea is to explore incorporating a new construction project along with the purchase of River Ridge, perhaps on the Rattlesnake property or another site.

Davidson responds stating this is something she has already researched. Davidson continues stating 4% tax credit bond financing can be used to combine multiple projects, although she doesn't know if new construction can be combined with rehab. Lucy Brown of Billings Housing Authority is currently pursuing 9% tax credits in a project. Davidson states if Brown does not get awarded the 9% tax credits, Brown has stated she might be open to combining projects with MHA in the same request on

a 4% tax credit bond application for a scattered site project. Davidson suspects HUD will not allow a combined project on a HUD 221D loan, though she will inquire. Davidson states the 4% credits with a bond will be allowed to incorporate scattered sites with the same investor.

Bangs asks if everything has to involve a acquisition rehab or if a straight purchase is also an option. Davidson responds that just a straight 221D can be done with purchase not involving acquisition rehab, though some rehab would be preferable as there would be no reserves until after several months of owning the property. Davidson states that using just the 221D loan has the benefit of fewer restrictions on the rehab process. Davidson states that when using 4% tax credits, a minimum of \$15K per unit in rehab is required by the State. Davidson states that having the bridge loan in place gives MHA more time to figure out all the financing options.

Hoffmann asks Bangs if he has seen changes in the length of time for HUD loan approval in his industry. Bangs agrees the processing time is quicker now. Davidson states that Bank of Montana is now a HUD approved multi-family accelerated processor lender. Davidson hopes by next month's board meeting to have a purchase and sale agreement to approve and a lender in place. Davidson states that in the letter of interest, MHA has asked for a closing date of April 30th.

c) City Surplus Lots

Davidson states asbestos abatement will cost an additional \$7,000 and that it is currently in process. Weir states that the abatement is expect to be finished by Friday and that by Monday the original contract work will be underway. Weir has informed both the architect and contractor of this timeline. Davidson states that everything is coming together with regards to the other lot.

Davidson states HUD has informed her that the replacement public housing approval will be in next week. The Special Applications Center (SAC) approval has been received. Davidson spoke today with Lynn Stocking at the College of Technology(COT) and the Memorandum Of Understanding(MOU) contract with the college has been signed. The COT is gathering the necessary information required for proof of insurance. The monitoring well on site is being filled with bentonite and will be cut off when excavation crews arrive onsite. Davidson is thankful to DEQ and Diocese of Helena as their project is not fully complete and their agency could very well have said no in allowing MHA to proceed. Simpson asks how the Diocese of Helena is involved. Davidson states the Diocese of Helena owns the Hart refinery site. Davidson states that, in addition, the neighbor encroaching on the lot has been very easy to work with. The owner is removing the existing fence and plans to rebuild it on the front and back yards. The owner has asked if he may be included with the plans to pour asphalt so as to take advantage of more favorable pricing for both lots. Davidson is happy to work with the owner on this request. Dennis Daneke (COT), Jen Clary (architect), James Weir and Davidson met to discuss plans. Daneke and Sam Oliver are working on plans for the excavation of the site. Daneke wants to have the foundation in place before his students leave for summer break. Students will start work again on the site in the fall. Hoffmann asks if the site is to be a duplex.

Davidson confirms stating both units will be 1 bedroom units. Simpson asks if there will not be the need for a bond for Bristlecone as this is entirely MHA's project. Davidson concurs stating that as Oliver is an employee of MHA, HUD considers this to be force account labor. Any outside labor, aside from work done by the COT, will be done using MHA's standard procurement policies.

d) Palace Project

Davidson reports the project is still going well. Earlier today, Ragsdale and Davidson watched the deconstruction of the sky bridge from the Palace to the parking garage. The metal bridge will be put in place over the next month. The Palace lobby is progressing slowly. Original ceiling tiles have been recovered and will be put in place in the new ceiling. Electrical was being worked on in the lobby today. The storefront windows have been approved by a National Park Service. The new windows will be bronze aluminum rather than silver aluminum and are well insulated. Davidson states it is still anticipated to be done by April 30th. Davidson has set the grand opening for the Palace to be May 22nd around 5pm. Davidson states this is the same week that the Montana Housing Conference will be in town. The Palace will be mentioned in the Housing Conference brochure adding a bit more press for the event.

e) Silvertip Update

Pare states they are at around 90 lease ups and on pace for the lease up projection. The next big thing will be to get all the warranty stuff wrapped up. Hoffmann asks Pare that with the softening of the rental market, how the absorption has been. Pare states it has been busier than ever at the Silvertip. There are currently 6 approved applications on Graybeal's desk. Pare states they just need to have appointments made and leases signed with the potential tenants. Pare states the biggest problem has been getting applications filled out only to find the applicants are looking to sign a lease as far out as August. Pare has informed these potential tenants that the units will be going fast. Pare has included in these conversations that if it is up to MHA the property will be fully leased and units will not be available in August.

Davidson reports that, at the state's request, MHA has been given permission to house more applicants at the 80-120% AMI. This means MHA will be able to collect the increased rents. The states have been getting direction from the Feds to give flexibility to project with NSP funds as the purpose was not to reserved units specifically for the lowest income level but to open it up to the middle income group. The Feds have really encouraged the State to make sure that all of these NSP projects have this option. The State and the City have come up with a plan to house up to 10 units at the 80 to 120% level of financing. Pare states there are already 2 approved files that fit the 80-120% category, in addition to the 5 already in residence. Melton states that she has been seeing many over income applicants in the LIHTC department and is delighted to be able to refer these applicants to the Silvertip as another option within MHA. Bentley asks when this change went into effect. Davidson responds that the change went into effect 3 weeks ago, but these suggestions to the state probably came in before that.

f) IDC Update

Davidson has no new updates. Hoffmann asks if Davidson has discussed with Pat Corrick and Jim McLeod the possibility of obtaining office space with the development on the Fox Site. Davidson states they are planning to build a hotel without excess parking. Davidson states she can pursue this conversation further but feels that they are not very open to the idea.

g) Rural Development Self-Help Program

Davidson states the project is progressing well. Davidson states Holly Johnstin is deep into reviewing applications and getting loan approvals on the second build. Oliver has been working with Jeff Jordan on how to run the program. Oliver is getting ready to take over the second build. Bangs asks if there has been plenty of applications. Davidson states Johnstin has been processing 4 of the 10 applicants. Ragsdale reports one of the approved applications is actually a staff member of MHA. Though this individual has committed, they are thinking hard on the decision and it looks as though it may happen. Davidson says one of the hardest parts of approving an RD applicant is getting them approved for the RD loan. Davidson goes on to say the applicant has to qualify with having adequate credit score, income, and debt ratios.

h) Stevensville Property

Davidson reports MHA has entered into a purchase agreement with Northwestern Energy (NWE) and they've deposited their escrow funds. Davidson invites Worthington to provide any other new updates. Worthington states John Tabaracci has been NWE's attorney on this deal and a notice of option has been recorded. NWE is current engaged in their due diligence process. Tabaracci has stated in an email to Worthington that he has received a preliminary title report and has some concerns with it. Davidson and Worthington met yesterday to review the file. Worthington states there is restrictive covenants placed on the property by the board of housing back in 2004 when MHA had tax credits to develop the property. Tabaracci has asked Worthington if these can be released. Worthington has found in the file a release signed by the state. Worthington will produce the recording number of the release to NWE. There is also a discrepancy in the deed descriptions, which may be due to a change in the way the lots are referred to after a new survey was performed in 2000. Worthington will have to take time to review the warranty deeds and read the meets and bounds descriptions.

NWE is eager to do work on the site. Worthington spoke with the Stevensville mayor and informed him that the sale will most likely go through. After 90 days, part of the deposit becomes non-refundable. This should cause NWE to move fast on the due diligence process. Worthington is hopeful this will move forward fast as NWE will want their substation in by this summer and will need time for construction.

i) Homeless Housing Update

Davidson reports having done a presentation at the Job Service along with Eran Fowler of the Poverello. Davidson compared notes at the meeting with Fowler who expressed the need to get together as a community to discuss what is most advantageous for families. Davidson did get an update from the Poverello on a new plan and the schedule for the new Poverello Center. They are currently doing asbestos remediation and expect to move to demolition as soon as this is complete. They plan to have the new facility completed by 2014.

Worthington provides an update stating the Reaching Home 10 year plan had a final plan approved by the City Council committee. Worthington states the committee went before City Council today to set a public hearing. A public hearing is set for April 15th. Worthington asks that a representative from MHA be there in case there are questions that may be answered by the housing authority. Bentley asks what the hearing is called for in specific. Worthington states the public hearing is for all public to hear and comment on the plan. The Council would then have to approve the plan or amend it as they have the authority to do so. Worthington goes on to speak of the wide variety of homeless cases and the different needs that arise. Worthington states that educating the Council on all of these differences will be vital in helping to approve the plan.

Davidson states that sequestration did not affect homeless funding for MHA in 2013. Davidson does fear that in 2014 and in the future that homeless housing funds will be cut. Worthington states that other successful community plans to end homelessness include good collaboration within the community with strong private by-in. If private by-in does not happen then it will not be successful. Worthington urges the housing authority to express this need during the public comment period of the plan.

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Davidson reports that, due to sequestration impacts, all of MHA's reserves will be exhausted and MHA will be reducing the program size by roughly 50 vouchers. This will bring total vouchers from 774 to approximately 720. Davidson states this decrease in vouchers will happen through attrition. Davidson states she has had several conversations with KPAX, FOX and the Missoulian about this issue.

Davidson adds MHA has seen funding cuts in the Public Housing program. Starting in March, MHA's public housing program has seen a loss of \$6000 for the month and anticipates this \$6000 per month loss to continue. Davidson states the public housing program has a healthy reserve account, largely due to the Energy Performance Contract (EPC), which will buffer this hit.

McGrath informs the board that funding for the next year's vouchers is based on the amount of money spent the previous year. If vouchers are returned or funding is cut and the housing authority has no reserves, it creates a downward spiral, whereby if the voucher program is funded at 100% it still will not recover the loss of the vouchers that are dropped. McGrath recaps that this drop in number over vouchers will create a permanent loss in the amount of vouchers MHA will be able to issue. McGrath adds that MHA's voucher department is paid administratively by number of units leased. As unit numbers decrease, admin funding is decreased in proportion.

McGrath states that while there is not much more MHA can do lessen the blow of this funding cut, McGrath has made a few plans. One plan in particular is to look as the cost of assistance being paid out, to keep more families on the program and therefore more admin funding to run the program, reducing the overall amount being paid out. McGrath states this is a vector process where the earlier the start, the bigger the ripple. McGrath states that the sooner MHA can make this change in voucher numbers, the less impact. Davidson states that there is an inflation factor added to each budget. McGrath states he is aware of this but purposely has not factored it in, as this will add to the amount of funding received for next year if he does not factor it into his budgeting.

Davidson states that there is also included with sequestration an Administration fee proration of 68-69%. As MHA reduces its voucher count, this will reduce the funding even more. Davidson states that having other, non-HUD programs, is what has saved the agency from having more issues with funding cuts by augmenting income streams.

McGrath is happy to report his team has really taken on the challenge of finding other ways to help the voucher department cut its costs and restructure to adjust for this change in funding.

X. New Business

None

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XI. Old Business

a. Changes in Procurement and Personnel Policies

No update. Davidson states this will be on the radar for items to work on in the near future.

b. Board training opportunities

Regional NAHRO Conference:

Davidson states the regional NAHRO Conference will be held May 8th -May 10th in Colorado Springs. Davidson has been asked to present on a panel with other housing authority directors in our region for a Development 101 course. A few of MHA's staff are anticipated to attend various trainings at the conference. Davidson invites board members to email Adam Ragsdale if they are interested in attending.

Mary Melton adds that Kay-Kay will be offering a Low Income Housing Tax Credit (LIHTC) training in Missoula in April. Melton asks any members

interested in learning more on the tax credit program to contact MHA to be signed up.

Davidson states May 21-23 is the Montana Housing Conference. Davidson has not yet seen the agenda, but will forward it on to board members when it is made available.

NAHRO Legislative Conference:

Davidson and Emily Bentley attended the Legislative Conference in Washington D.C. Bentley reports it is rather dark days in Washington in regards to affordable housing and sequestration. Bentley states MHA is not being hit nearly as hard as other housing authorities in regards to funding cuts. This is in part due to great leadership, having adequate reserves, other income streams and being a smaller agency. Bentley states having met with Montana delegates over the course of the trip. Bentley states Steve Daines was very open to hear requests for regulation relief. Tester and Baccus have been doing Wednesday morning coffee sessions with anyone who is in DC that is from Montana. Daines is now joining these regular coffee sessions. All three of the them and their chiefs of staff are meeting regularly once a month. Davidson states that despite many of the political divisions in DC, Montana is a very good example of how the delegations can work together. Davidson states all three representatives seemed receptive to the concept that if addition funding cannot be provided that regulatory relief must be granted.

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Bentley states it was a really great opportunity to meet with housing authority representatives from both Butte HA and Billings HA. While at the Conference, Bentley attended a meeting specifically for commissioners. Bentley states it was a very informative and eye opening session to witness the upset feelings and passion from other housing authority board members from across the country.

Hoffmann calls for any other old business. Davidson adds that she is meeting again tomorrow with the City and other homeless providers to explore ways to use the HOME funds to try and implement some of the solutions in the 10 year plan. Davidson states that between the City and State HOME programs there appears to be \$1.5M in funds available.

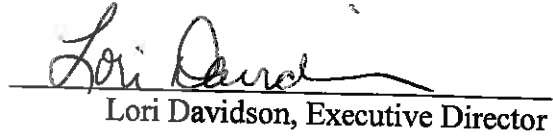
Davidson asks the board to set a date for the strategic planning. Davidson states this is very important to pick a date that works for all members as it is important to have all members present. Hoffmann agrees. Bentley and Bangs state they are very flexible. Davidson offers a suggestion of scheduling it for a Monday.

Bangs states tomorrow morning at 10am is the Missoula Housing Report. This will change a bit from last year as more time will be spend talking on affordable and homeless housing. Jim McGrath will be presenting on this topic. Davidson adds that this will be held at 10am at the Double Tree with 4 of MHA's staff in attendance.

XII. Adjournment: The meeting was adjourned at approximately 6:56 pm.



Jamie Hoffmann, Board Chair



Lori Davidson, Executive Director