

Missoula Housing Authority Board

Regular Board Meeting
Wednesday, Feb 19th, 2014

-MINUTES-

Members Present: Fred Simpson, Collin Bangs, Sheila Lund, David Warren,
*Monique Casbeer[arrives at 5:40pm]

Members Absent: Jamie Hoffmann, Betty Zander

Staff Present: Adam Ragsdale, Suzy Yancey, Lori Davidson, James Weir, Harlan Wells,
Kevin Schouweiler

Guests Present: Keithi Worthington, Lance Mercer, Brent Stratton

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

-Jan 15th, 2014

As Vice Chair acting for Chairman Jamie Hoffmann, Bangs calls for any comments or corrections. None.

Simpson motions to approve the minutes. Lund seconds. None opposed. Motion passed with all in favor.

- V. Conflict of Interest Disclosure:

None

- VI. Commissioner Comments:

- VII. Public Comments on Items not on Agenda:

Davidson states Mayor has appointed David Warren to a second term and Monique Casbeer as MHA's resident Board Members

VIII. Action Items

Resolution 996- Lead based paint disclosure policy

Davidson states that MHA has as part of its admin policy a disclosure regarding lead based paint. This resolution is to adopt a more formal policy. This policy is required in order to be approved as a SHOP funds affiliate.

Policy states that MHA will abide by all lead based paint safety requirements and any rehab required specific to the SHOP program. Davidson add that this is something MHA already is doing but is now being put in a more formal policy.

[*Monique Casbeer arrives.]

Davidson asks Casbeer if a formal appointment date to the Board has been disclosed. Davidson states this will determine if Casbeer is able to vote on any action items this evening. Casbeer states she has not received an official appointment date yet.

Worthington advises to proceed without Casbeer for voting as a quorum for voting is already present.

Bangs looks for a motion to approve the motion. Simpson motions to approve resolution 997. Warren seconds. None opposed. Motion passed with all in favor.

Bangs takes a moment to welcome Monique Casbeer to the board. Bangs shares his delight to have Warren serving another term with MHA's board.

Resolution 997- State HOME application

Davidson states this resolution is to approve the state HOME application for the project on California Street. It has all the required HOME clauses. Davidson states these are boilerplate clauses that the board has seen before without any changes. Davidson looks to Wells for a break down on the financing package for this project.

Wells states that it's a unique situation in which MHA will not be able to use all the available HOME funds for the financing needed on the project. MHA can receive up to \$750K in grant funds but because a certain percentage of the project must be paid with other funds the project application is only requesting \$706K. This is due to developer fees and other soft-costs that must be financed through other funds. MHA will be positioned to build a very quality unit. It will be 6-plexes that are higher end quality than other value-engineered tax credit units. Wells states MHA is waiting for an appraisal on the land and owners contribution. Wells states that Hoffmann donated some of his time to come up

with figures for the project. Wells thanks Hoffmann, who is not present at the meeting, for the time donated to the project.

Wells states there was a 2 or 3 week hang-up in which the Dept of Commerce was not responsive. While this delayed progress, MHA now has a new point of contact that is getting up to speed with the necessary items needed to move the project forward. Wells is projecting the application to be submitted in the next 2 weeks.

Davidson asks Wells what MHA's contribution will be to the overall project. Wells states MHA will have not put in a cash contribution unless MHA decides to fund the permanent loan on the project. The loan would be in the neighborhood of \$180K, but conventional financing should be a strong option and would cashflow the property. There is an option to loan the project with development funds and seek a return on investment, but the Dept of Commerce may not allow. MHA should know more at towards the end of construction if they determine this is an option.

Simpson asks what the total project cost will be. Wells states in the neighborhood of \$950K, give or take \$20K. Bangs asks how big the units will be. Wells states there is public meeting on Friday at 4pm, which will discuss the 616sqft unit. MHA is looking at roughly \$70K per unit with just sticks and bricks, not including profit and overhead. Units will be all one bedrooms and will not affect the scoring of the project. Wells invites the board to attend the public meeting on Friday if interested. Meeting will be held at the Sister Rita Mud auditorium on 1st street. Wells informed Emily Bentley as its within her district. Wells has also invited Chance from the Summit Assist Living. Public notification has been circled twice for the meeting. Simpson asks if the meeting must be held due to rezoning. Wells states that the HOME funds must call a meeting to address the need of affordable housing in the neighborhood and a design for public comment. Wells is bringing designs from similar 6-plexes to the meeting so as to combine both public comment periods in the same meeting. Wells states due to HOME funds the project will need to go out to public bid and cannot use Bristlecone for general contractor on the construction.

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Davidson states the rents will be set at the High and Low HOME rent levels. Simpson asks if there's an adjacent property to the project that Steve Loken owns. Davidson agrees. Wells states that if it works out, the difference in project costs and funds available could be used for land acquisition to replicate the model next year if Loken's property is on the table.

Bangs asks if there is any further discussion. None. Bangs calls for a motion. Warren motions to adopt resolution 997. Lund seconds. None opposed. Motion passed with all in favor.

a) MHA office space

Wells states he would like to start planting some seeds for ideas on new locations for offices. Wells has looked at 7000sqft that MHA is currently occupying. MHA is paying roughly \$45k per year to lease the space which works out to roughly \$7.50 sq ft. Wells states that the office space is overcrowded and that one possibility could be to take offline another adjacent apartment unit if one becomes available and convert it to office space for staff that do not regularly meet with tenants.

Wells states on the other end of the spectrum, the First Interstate building has over 14,000sqft of commercial office space on the 5th floor that is unfinished. With common area maintenance(CAM) it would be \$400K to rent or \$225sqft to buy and another \$100sqft to build out. This would equate to \$4.6M for 14,000sqft. Wells states that 14,000 is more than MHA needs today, but Davidson has stated that, with the current growth pattern, that 14,000sqft would be what MHA may need in the coming future.

Wells states that there are 3 city lots near malfunction junction which are +12,000sqft. They are asking \$225K. Davidson states the location is directly behind Blackjack Pizza. Wells states the ground floor could be all parking with elevated floors above it. Wells has spoken with Quality Construction on some design options, with a project built on ground level being \$125sqft. Wells does not have exact figures with him but recalls the project penciling out to roughly \$1.7M.

Wells states another option is the current ProBuild site. ProBuild has 14,000 sqft of sales floor, another 10,000sqft of heated shop space and another section of non-heated storage. The entire site is roughly 4 acres. This site is in the dead center of town off of 3rd street. Wells shares picture of the site with the board. There is a large section of land in the back part of the lot that might set MHA up with a separate opportunity to build a LIHTC project in the future. There is plenty of parking available. Wells adds that there are law offices on site that do not come with the project. The sales price is \$1.65M.

Wells states of the \$45K MHA pays now for office space rent, if re-rented to a commercial tenant at the same price per sqft, could debt service \$625K loan at 6% towards a project. There is \$1M in disposition funds that could be used for offices. If MHA needs to double its office space from 7,000 sqft to 14,000 sqft, at the current price of \$7.50 sqft, MHA would be paying \$90K. This would service a debt a loan of \$1.2M at 6%.

Wells states that the ProBuild site is in a TIF district. MHA just received news today that the Missoula Redevelopment Agency has just determined that MHA is a government agency and therefore qualified to have buildings paid for with TIF if approved.

There is also a .75 acre triangle downtown next to Taco Johns that is for sale for \$980K that is also in a TIF district. With underground parking, the site could also be suitable.

Wells looks to have direction from the board on which options are worth pursuing.

Casbeer asks to have the figures put into an email and sent out to board members for review. Wells agrees.

Bangs states the ProBuild site is in a very favorable location and that MHA will have a hard time in future years finding sites that have zoning suitable for building larger tax credit projects. Bangs also likes the fact that the storage space in the rear could possibly be rented out and cashflow while the sales floor is under construction giving cashflow into the deal. Wells states the ProBuild site is his first choice as well.

Wells feels the sales floor could be converted into a very suitable open office floor plan. Wells states the heated shop space would serve the maintenance dept quite well. Wells states the unheated space could be rented out or converted to covered parking. Wells can talk with the city about any foreseen difficulties in subdividing the office space from the rear lot space if a future development is something MHA would like to plan for. Wells states the preliminary information he received depicts the site is environmentally clean but a Phase 1 environmental will still be done. Simpson asks if the site use to be a lumber yard. Wells agrees. Simpson asks if this is a distress sale. Wells states to his knowledge it isn't but can look into it further. Bangs states he's spoken with the listing agent and it is not.

Bangs would like to see some room for growth with regard to more affordable housing if disposition funds are to be brought into the purchase. Wells is not sure if disposition funds can be brought in to buy anything other than just the office space.

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Warren states he would like to see MHA look further into the ProBuild site. Bangs agrees. Board consensus is to look forward with the ProBuild site as an option.

Worthington asks how fast a property like this on the market will move. Bangs states it could be gone in a month or more than a year. Bangs is not sure what other organizations or investors are currently shopping. Worthington asks what the zoning is for the property. Wells is not sure what zoning code it is but is confident it is the highest density zoning for commercial and residential with regard to building up to 125 ft in the air.

Davidson states there is \$500K in unrestricted funds set aside for PNC's guarantee in the development fund. There is roughly another \$1M over and above PNC's \$500K that could be used. Davidson notes that the River Ridge tax credit application and potentially Parkside apartment's option to purchase could be on the table in the near future. Both projects would need cash from the development fund but could potentially rebuild the development fund through the return of developer's fees if the board chooses to dip into these funds for offices. Davidson states HUD approval is required in order to spend disposition funds on a site for offices. Wells reminds the board that the disposition funds, while in MHA's hand now, could be swept at anytime if HUD so chooses. Wells states it is in MHA's benefit to invest these funds sooner than later. Davidson has not specifically asked HUD the question of whether

disposition funds can be used to purchase the land for offices. There is still \$1.4M in disposition funds.

Worthington and Wells note that if MHA finds the right tenant, MHA could potentially rent the offices at Russell Square for more than \$7.50/sqft.

Wells adds that the land on the backside of the ProBuild site may take 3 years or more in order to get an allocation of tax credits awarded. It's likely that it could take longer depending on political will at the state level.

Wells will look to take Hoffmann and Bangs to visit the Probuild site for further review in the next week.

Casbeer asks what TIF funds refers to. Bangs replies that it stands for Tax Increment Financing. Bangs provide a brief explanation of the program.

Wells feels there may be some push back from the Missoula Redevelopment Agency(MRA) as MHA is exempt from property taxes, which is the repayment mechanism for the program's financing. Wells states it is then up to MHA to remind the MRA how MHA has brought in a large amount of federal funds to help further other developments in the region such as the IDC site. The back lot's potential project and increase of appraisal to neighboring project will also help for repayment. Worthington asks if other housing authorities throughout the state have used TIF funds. Davidson does not believe other housing authorities in Montana have used TIF, but that housing authorities in other states have taken advance of using TIF.

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b) Vantage Villa Update/EPC Update

Davidson states Sam Oliver and Jake Turzo of JCI are getting ready to subcontract all of the work. Worthington has shared a contract from the city of Helena with MHA for use as a template going forward.

c) City Surplus Lots & Homeless Housing Update

Davidson states there nothing new aside from what has already been discussed. Davidson states the COT build is going well.

d) Palace Project

Davidson states the 8609's are completed and in the mail. Auditors are finishing the rest of the 2013 audit. Davidson states MHA is still working on getting the financial review for the stabilization test with PNC. Davidson is hoping to complete this soon.

e) IDC Update

No update.

f) Rural Development Self-Help Program

Wells states there have not been any addition requests for information in a while. It has not made it to DC yet. If DC has any requests to adjust, it will be returned in a formal letter. Wells states MHA is waiting for language for a final memorandum of understanding between MHA and NeighborWorks Great Falls to set a framework for the final transition of the grant.

Davidson states that in preparation for MHA receiving its own grant in the next round, she has been able to secure insurance for the RD build. Davidson states that most of the grantees that act as technical advisor to the build do not carry any liability insurance. Davidson was not comfortable with this. Davidson used Ron Sharkey, who helped secure insurance with Bristlecone, to secure a policy. It is an errors and omissions policy for \$2M, at a rate of \$3700 per year. Davidson states this is a very unusual policy.

g) Stevensville Property

Davidson states GCN Board with Jim Morton as chairman has a meeting to discuss the property. Recent attempts to list the property with a realtor have not proved unsuccessful. Wells has suggested to the GCN board to put up a for sale by owner sign and list the property on Craigslist for a while to see if there's any interest. Davidson and Wells drove down to Stevensville to meet with the Mayor, Gene Mim Mack. Davidson states that the Mayor was supportive of the neighbors and felt that the substation was better suited for a different district. After speaking with the Mayor, Davidson and Wells have not come up with any new possibilities for the site other than what has already been presented.

Wells states that the water lines are now in place, making the project suitable for a tax credit application. Wells looks to approach other state tax credit investors to pitch the potential of ready project site. The property had a previous award of tax credits and the mayor is currently supportive of this type of solution. Wells states the Mayor is willing to help lower the development costs for the project if it is possible.

Davidson states GCN also discussed the change for Maclay Commons. The Poverello has decided to use their funds in another way and thereby are pulling out of providing services at Maclay Commons. This decision was made completely aside of any discussions MHA has had about the properties use. Maclay Commons will now be a straight tax credit project with project based vouchers. Maclay Commons has a 5,000 sqft common space with 4 offices a kitchen, a meeting room with movable division walls and a public bathroom.

Davidson states that Jan Guest from WORD has suggested that they might use the offices available. WORD is an organization that has been around a long time, serves many of MHA's clients directly through case management services but is suffering financial difficulty due to lack of grant funding. GCN agrees this is a good opportunity to help out and organization the provides case management to many homeless families and other families in the community. It would also help with WORD's financial overhead costs as the building is in tax credit basis and the space cannot be used for commercial use. It must remain open to the tenants and the public. Jan Guest and another WORD board member have toured the building and have deemed it to be suitable to their needs. MBOH has also found this to be an appropriate use of the space. Davidson is now just seeking final approval from the tax credit investors for this transition to take place. Davidson states that with having someone occupying the space during business hours and paying utilities she cannot see a downside to this move.

Davidson asks the board for any questions or concerns with WORD taking over these offices. No questions or objections.

h) Silvertip Sound Mitigation

Davidson states that the insurance companies and all involved parties have reached an agreement. There is a settlement offer on the table to review for \$130K total. Sam Oliver's latest bid came in at \$123K leaving a little room for any contingency. 14% overhead profit will go to Bristlecone. Davidson states it has taken so long to reach a settlement that the drywall sub contractor has taken other work and will not be available until March.

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Bangs asks how many of the units are actually having work performed. Davidson states it's far fewer than originally anticipated. It will be around 50 units and only correcting common walls where a bedroom and kitchen are adjacent to the living room.

i) IDC update

Davidson states the city has agreed to release the bond. MHA will be free from obligations as soon as this bond is released. The other bond has already been released.

X. New Business

None

XI. Old Business

Strategic planning-

Davidson states strategic planning is to take place next month. McGrath is out on training and will lead the group through this next month. This is in anticipation of the new 5-year strategic plan due to HUD in July.

Davidson had a meeting with Emily Bentley to start reviewing the cooperation agreement with the city. The Mayor had suggested that MHA incorporate a legal services agreement with the city to provide legal services to the Housing Authority. Bentley was sick and unable to make the meeting. Davidson will reschedule this in the near future.

Davidson had discussions with Worthington this week and feel it would be more effective if Worthington spent a couple hours at the offices every couple of weeks to be more available for the staff.

a. Changes in Procurement and Personnel Policies

Wells states there is procurement training on March 27th in Helena. James Weir, Sam Oliver and Wells will be present at this training.

Davidson adds that she is busy working on her performance review. Davidson will be on vacation on March 5th and will have it completed and sent to the board before this date.

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b. Board Training opportunities

Davidson states Karl Pare will be representing MHA in DC. The registration period is ended.

XII. Adjournment: The regular meeting was adjourned at 6:54 pm



Jamie Hoffmann, Board Chair



Lori Davidson, Executive Director