

**Missoula Housing Authority Board**  
Regular Board Meeting  
Wednesday, September 17, 2014

**-MINUTES-**

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

**Members Absent:** None

**Staff Present:** Adam Ragsdale, Lori Davidson, Jim McGrath, Harlan Wells, Karl Pare,  
Kevin Schouweiler, Suzy Yancey

**Guests Present:** Keithi Worthington

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

II. Attendance: See Above.

III. Intro:

None

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IV. Minutes:

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1<sup>st</sup>: Casbeer

2<sup>nd</sup>: Warren

None opposed. Motion passes with all in favor.

V. Commissioner Comments/ Conflict of Interest Disclosure:

None

VI. Public Comments on Items not on Agenda:

None

VII. Action Items

A. Resolution 1006: Payment Standards

Bangs refrains from any discussion on this matter

McGrath: We base the amount of assistance we pay to voucher holders on the fair market rents which are issued by HUD annually. It used to be based on the census but it's now based on the

American Community Survey, this is difficult in a rural area, because the numbers seem to bounce all over the place.

Hoffman: Are we considered rural?

McGrath: In this context, yes because it's for the whole state. Last year we saw an increase of 14% from the year before, and this year it's dropping 10%. I am proposing to push the payment standards to around 107-108% of the FMR. For the first time in our portfolio we have 11% experiencing rent burden, which is really low. A lot of those people experience rent burden because they have such little income and they have to pay minimum rent. If we lowered the payment standards to the FMR we would have to wait a year to implement it.

Casbeer makes a motion to approve. Zander seconds. None opposed. Motion passes with all in favor.

#### B. Resolution 1007 Adoption of Fiscal year 2014 Revised Budget

Davidson: This is the budget we discussed last month and we wanted to combine it with the adoption of the 2015 budget. There haven't been any substantial changes, so this would be officially adopting it.

Bangs makes a motion to approve. Warren seconds. None opposed. Motion passes with all in favor.

#### C. Resolution 1008: Adoption of FY15 Budget

Davidson: Andrea from HomeWord called me and said they are going to be moving their property management to a different firm effective January 1st. We will have 3 months of this operating budget while we are still managing for HomeWord, so there will be some income coming in from the management there. One of our property managers, Kelly Abbey, has given notice that she's leaving, so this budget isn't including that property manager position.

I thought this would be a good opportunity for you to see what cash we have on hand in each of the properties that we own and or manage.

The restricted funds are excess funds from HAP payments over the years and the unrestricted funds are the pool we have accumulated from administrative fees in case we have short falls in administration of the voucher program. The unrestricted pool has allowed us to absorb those extreme cuts in the admin fees that we've been seeing. The budget for this year doesn't predict that we are going to have a shortfall in administrative fees, so hopefully we won't have to dip into the unrestricted fee pool for the coming year.

In property 1 on the north side, Vantage Villa, the \$2.4 million includes the insurance money that we've received so far. Through the end of August we have spent \$475,000 on the rehab.

All of the PH columns assume an 84% pro-ration of subsidy which is lower than the 89% we got this year.

Between PH 1 and PH 2 there is a transfer of \$76,000 from the capital funds to the PH amps to make sure we have enough money to cover the new energy performance contract loan, which is around \$318,000 per year.

At vantage villa we're changing from electric base boards to very efficient gas fired boilers, and we're also adding air conditioning.

Hoffman: Is HomeWord switching property management because they will be saving money?

Davidson: They've switched because they think they can get the property management for less money. Tamarack manages properties for them in other cities, and they may be slightly lower in fees. We just know that we can't do it for them any cheaper. I think it's a good business decision on both sides. We've added 200 units since we took over property management for them, and we potentially have Parkside coming on with 102 additional units. There is no conflict between us and we will continue to support what they do. We will still work closely with them with their homeownership classes. They also provide services to our Family Self Sufficiency participants. In our central office we have a small profit, and HomeWord will bring some additional fees in for 3 months, which should boost that up even more. And since we're not replacing Kelly in the LIHTC portfolio it will reduce some of the costs.

We are not reducing the number of maintenance people. This means we will do less outside contracting, and have them do more of the lawn care and snow removal, which we typically contract out. We're also hoping to reduce the number of vehicles we have by having more on-site maintenance.

Wells: Also keep in mind that with property managers and maintenance at multiple sites, all the time they spend driving between properties is loss productivity

Davidson: In the business and development column, we did get the Maya building appraisal this week. It came in at \$5.525 million.

Wells: One of the main reasons for going after such a large commercial building was having the appraisal come in at or above \$6 million. That way by purchasing it for \$5.1 million we would have a significant financial cushion if anything went wrong such as losing a major tenant. The seller was counting on that difference as a charitable contribution for tax reasons. He now has a backup offer for \$5.5 million, and has asked us to voluntarily back out of the deal so he can take the other offer. There is also the issue of HUD wanting the \$1.4 million in disposition to be first lien which no bank wants to be a second. I spoke with the mayor earlier today and he asked that we not make any final decisions until next week. We're asking the board to give us permission to go ahead and allow Lori make the final decision next week after talking with everyone. The deal is not as appealing as it once was.

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Worthington: What cost have we expended to date?

Wells: The Appraisal was \$3250, and the owner said the new buyer has offered to buy us out. Leslie Jensen has said she's okay with that, so we'll be out at zero, other than time. While we're talking about offices, US bank hasn't changed their position on selling Russell Square to us early. We have \$500,000 in equity in this building, and if we buy it and turn these apartments into Public Housing it would make that \$500,000 in disposition funds unrestricted, which would allow us a very good model to purchase another property. Both state and city have hinted that city home funds could be used for new offices.

Davidson: Also going into the Merc might be an option although it might be a lease structure rather than a purchase structure. I just found out today that the Merc comes with 30 free parking spaces in the new parking structure.

McGrath: The parking commission is also a city agency with a lot of money, and the ability to give away parking spaces. They've done some pretty constructive partnering with other agencies downtown.

Hoffman: Is it possible that the purchase of the Merc building would allow for condoization?

Davidson: It depends on how they might structure it. They are looking at new market tax credits. Ellen has told me that the big hold up on the financing for the Merc is that they couldn't lease out the office space on the second floor, which is where we might potentially be able to go.

Hoffman: I would prefer that this agency build equity by buying.

Wells: The board also has the option to recommend that we back out completely, although the mayor has asked not to make an immediate decision, until there's been further discussion.

Hoffman: It sounds like this deal is off the table unless the MRA comes up with all that money up front.

Bangs: And that's assuming you can solve the problem of HUD wanting that \$1.8 million in a first lien.

Wells: Is the board okay with us walking away from it next week if that's the best option?

Bangs make a motion to approve. Casbeer seconds. None opposed. Motion passes with all in favor.

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Hoffman: What happened with the possibility of offices at the old Mill site?

Wells: Ed Wetherbee wanted to do a new market tax credit, with retail, offices, and condos. He was looking for a tenant on the second floor with no purchase option and mid-twenties per square foot.

As long as we're discussing tax credits I'd like to give an update on the presentation we gave to the MBOH on Monday, regarding River Ridge. We resubmitted the application and they seemed much more responsive, overall it went very well and we stand a good chance this year.

Davidson: We also presented all of the research we've done on trying to make that deal work with 4% tax credits. We would have to convert many of the units to 60% which is not where we need is. We wanted to preserve our 50% units and keep that building affordable for lower income seniors.

Davidson: Back to the Budget. The income from development this coming year will definitely show a loss. We still haven't received the go ahead from the Palace to get the developers fee. If that money comes in next year the deficit will not be there.

Worthington: When was the last discussion about the installment payment and why it's not coming?

Davidson: Last week, they keep asking for more financial information even though we've met the terms of the LPA in the three months following conversion.

Worthington: It would seem appropriate to highlight all the terms of the LPA that we've met, and demand an explanation why we're not receiving the payment.

Davidson: I've sent an email asking them to document which term of the LPA wasn't being met. And the response was that our economic occupancy is bouncing around and that they would like our August financials, which we've now sent. The construction finished in June of 2013 and one of the conditions was that January 1st of 2014 had to pass, but now we're 9 months passed that.

Worthington: Would the board like me to work with Lori to form out a letter?

Board agrees

Davidson: I did find one mistake on the budget. I had some bad debt expense in the business and development column, so that's an additional \$11,000 expense that there won't be. We will be asking for an increase in rents at the Uptown, since that hasn't been done since the project went into place. At Valor house, we may need to increase the per diem payments from the VA.

At River Ridge I've assumed a perm loan at \$130,000 a year. That's a worst case scenario to show you what would happen if we were forced to go into some type of financing other than tax credits.

We will not be doing a salary increase for 10/1 due to the \$2 raise that staff got mid-year

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Hoffman: Any further discussion on the budget?

Casbeer makes a motion to approve resolution 1008. Bangs seconds. None opposed. Motion passes with all in favor.

## VIII. Staff Reports

### a) Donation from Supplee Family Trust

Davidson: We had a very nice donation of \$5000 from the Supplee Family Trust. There were no stipulations on how the money should be used, so we were wondering if the board had any suggestions?

Lund: I think whatever staff recommends

Board agrees.

### b) MHA office space

Covered earlier

c) Cooperation agreement with the city

Davidson: We will be meeting with the mayor hopefully next month

d) Rural Development Self-Help Program

Wells: -Reviews the application process- The best case scenario is that we would get a grant later in the year, which means not starting until spring. This means we can't incur any cost and back date those payments. So any staff that are working to get new build members, needs to be paid for by something other than the grant. One possibility is to loan money from the development fund to pay for that and then when SHOP funds become unrestricted we can pay it back. The biggest problem right now is that the bank may not continue to hold the land on the lots we are looking to buy.

Davidson: The only cost we would be carrying over is the family coordinator salary, because we need her to continue to recruit and qualify new families. Sam Oliver did just inform me today that all of the 10 houses from this last build have passed inspection with the county.

Wells: To continue the program we're going to be risking the salary of the family coordinator without knowing for sure that we have another grant lined up. Any direction from the board on this?

Hoffman: I like the idea that we're involved in home-ownership, since everything else we do is rentals. I'd like to see us hang in there as long as it's not too big a risk.

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Bangs: I think the more we get into a cycle with this program, it will get easier every year.

e) Stevensville Loan Payoff

Davidson: No change. We do have the option of doing a tax credit project and having HRDC own it after we develop it. We would have to talk with HRDC about this first to see if it's something they'd be interested in.

Wells: We only have so many tax credits we can go after in a year, and with River Ridge and Parkside coming up, this would definitely be a far second. Unless the HRDC would want to be the primary on it and buy the land from us.

Davidson: We would like to wait to pay it off until we get the money from the palace.

f) Vantage Villa Update

Wells: Things are moving along well

g) Palace Project

Covered earlier.

h) Silvertip Sound Mitigation

Pare: We're doing a thorough job making sure every unit is completed.

i) City Surplus Lots

Davidson: The COT students are back on-site. With the students schedule we're anticipating is going online next summer.

IX. New Business

None

X. Old Business

a. Change in Procurement and Personnel Policies

No update

b. Board Training opportunities

1. National NAHRO Conference, Baltimore, MD, Oct. 16-18

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Adjournment: The regular meeting was adjourned at 7:12 pm

  
Jamie Hoffmann, Board Chair

  
Lori Davidson, Executive Director