

Missoula Housing Authority Board
Regular Board Meeting & Public Hearing
Wednesday, October 15, 2008

-MINUTES-

Members Present: Sandy Mitchell, James Hoffmann, Collin Bangs, Betty Zander, Joe Pietro, Sheila Lund, John Boyle

Members Absent: NONE

Staff Present: Lori Davidson, Jim McGrath, Gloria Fortier, Merah Shurtliff

Guests Present: Keithi Worthington, John Torma, Libby Schneider

- I. Call to Order: The meeting was called to order at 5:37 pm.
- II. Attendance: See above
- III. Minutes:
Regular Board Minutes September 17, 2008: Hoffmann called for comments. Pietro moved to approve the minutes, Boyle seconded and the minutes passed with all in favor.
- IV. Commissioner Comment/ conflict of interest disclosure: NONE
- V. Public Comment: NONE
- VI. Action Items:
 - a. Annual Meeting-Election of Officers: Davidson stated this is the October Annual Meeting and election of new officers is required. This is also the meeting at which the incumbent Board of Directors of the Intermountain Development Corporation shall accept nominations from the member, MHA, for new directors to replace the directors whose terms are expiring. After nominations have been received, the members shall vote for the number of nominees as there are positions to be filled. Davidson stated there are currently no members on the IDC Board that have terms expiring. Davidson stated this is the time where the Board makes official acceptance of Pietro's and Zander's nominations to the IDC Board for the term that is concurrent with their term on the MHA Board. Bangs made a motion to nominate Pietro and Zander to the IDC Board. Lund seconded the motion. Hoffmann called for comments. There were none. Pietro and Zander were nominated onto the IDC Board with all in favor.

Davidson stated the Board needed to nominate new officers or accept the officers who are currently in place. The current positions are; Hoffmann as the Chair, Boyle as the Vice-Chair, Davidson as Secretary. Lund made a motion to keep the current officers. Boyle seconded the motion. Hoffmann called for comments. There were none. The motion passed with all in favor.

- b. Intermountain Dev. Co., Inc. Board member selection: See Action Item (a).
- c. Resolution 879: Approve \$75,000 increase in amount of First Interstate predevelopment loan: Davidson explained that this adds \$75,000 to the pre-development loan. The original loan was for \$100,000. The architectural fees are in excess of that amount. Mitchell moved to approve Resolution 879. Bangs seconded the motion. Hoffmann called for comments. There were none. Resolution 879 passed with all in favor.
- d. Resolution 880: Approve additional loan to Garden City Neighbors Inc. for interest payment and income tax preparation: Davidson stated this is the annual amount of interest that is due on the Nicole Court land in the amount of about \$12,000. This amount is based on the amount paid the previous year. Also, the tax preparation bill is due. This expense was included in this year's budget. The total amount requested is \$16,350. Bangs moved to approve Resolution 880. Boyle seconded the motion. Hoffmann called for comments. Pietro commented he would like to see this property sold. Resolution 880 passed with all in favor.

VII. Staff Reports:

- a. IDC/ Garden District Update: Davidson stated Greg Dunfield is concerned about the marketability of the units, because of their size and the fact they do not have balconies. Dunfield recommended taking another look at the design. There is also going to be competition with the Equinox building (homeWord's property) opening up at about the same time. Hoffmann stated that with such a tight market that he doesn't foresee as large of a problem as Dunfield projects. Davidson stated nine units will be almost market rent at 60% medium income and the size of the units will be an issue. Bangs believes Dunfield is underestimating the demand in Missoula. Davidson stated she spoke with MacArthur and Lane from MMW, and one option is to push the ends of the buildings out by two feet adding \$100,000 in cost. Doing so would make the units larger and possibly add space for washer/dryer hook ups. Mitchell asked why washer/dryer hook ups were so important. Davidson responded that there are two on-site laundry rooms, but the investor expects washer/dryer hookups and they drive the decision. Hoffmann stated the units are extremely small. Davidson also gave the option of leaving the size of the units the same, but adding balconies. Another option would be to ask MBOH to make the two bedroom units below 700 square feet become one bedroom units. Davidson has already asked MBOH to do this, but has not received a response. Dunfield stressed the importance of being comfortable with the design of the buildings if making the December 31, 2008 closing is still the goal. If not, he recommends pushing off the closing until January 2009.

Davidson would also like to see what happens with the HOME Grant and MRA. She added that she believes MRA wants to help us; the question is do they have the money to help and how will they be paid back. Bangs stated MRA knows they will get paid back, but they have a style they want to see. MRA does not want cheap looking buildings. Hoffmann stated MRA could help the purchaser. Bangs said he thinks speaking with the realtors regarding this topic is important. Davidson stated she would speak with the

realtors. Bangs was pleased by the design of the buildings without balconies. Hoffmann stated balconies transform a building. Davidson stated the buildings need balconies for marketability. She gave a brief description of the heating systems for the buildings. For further discussion of IDC see Old Business (a).

VIII. Old Business:

- a. 2222 Rattlesnake: Davidson stated she received Ed Coffman's market study. The market study gave a value of the property in "as is" condition of \$645,000, but if the density bonus and zoning is not available the value would be expected to be closer to \$510,000. Davidson stated the Missoula Children's Theater is interested in purchasing the property. Davidson stated the sale of the land may depend on how the cash flow is in the next couple of months. The Garden District project needs more tax credits to move forward; half of the tax credits that were requested were awarded. The Montana Board of Housing allocated the tax credits equally among the nine different projects who requested them. There is an allocation of tax credits being returned and these could be allocated to the nine projects without going back to the Board of Housing.

Davidson spoke with the chief of the fire department regarding the roof of the Old Joseph Residence. The fire department used the building for training purposes and without permission put holes in the roof. Davidson stated she is going to request the fire department make the roof weather tight.

John Torma from the Missoula Children's Theater introduced Libby Schneider, the Curriculum Director for the Performing Arts High School. Torma stated he looks forward to a decision regarding the sale of the property and said that MCT is still very interested in purchasing the property. Torma stated he has been in contact with the owner of the Lincoln School Building for the possible use of this building as an instructional and small performance facility. This building in conjunction with the Old Joseph Residence would be ideal for MCT, because of the proximity and functionality of both buildings. Torma mentioned the members of the community that have been working on preserving the Lincoln School believe this will be a desirable use for the community. The community members are excited about the relationship between the two buildings. Hoffmann asked what the use of the Old Joseph Residence would be by the MCT. Torma responded it would primarily be residential. Torma stated the neighbors he has talked to have responded in favor of the Old Joseph Residence being used for this purpose. Davidson stated that with the current zoning the building could only be used as a school for up to three months at a time. The zoning would need to be changed if MCT purchased the property with the intention of having students a full school year.

Hoffmann asked if we must procure for the disposition of the property. Davidson responded that it would be subject to our disposition policy. Hoffmann stated he would like to see a non-profit work with another non-profit, but if we need to advertise, the MCT will have to work through that time frame. Torma said their original time frame had changed and Schneider added that the MCT wants the nine month program open by the fall of 2010. Hoffmann asked if they have a date in which they would want control of the

property. Torma stated he does not have a specific date as of yet, but would like to be able to focus on a facility by the end of this year. Boyle stated the main goal of the sale of the land is cash, and asked if MCT could provide the cash needed. Torma stated they have started looking into their options for cash. He needs a property to pursue a direction for raising the funds.

Hoffmann stated the sale would depend on the situation at the IDC property and asked Davidson where the IDC project stood. Davidson stated there are some concerns with the design of the building, and the closing may be delayed until January 2009 instead of December 2008. This might mean fewer tax credits or a different tax credit investor depending on what the MBOH makes available for extra tax credits. Davidson stated their financial advisor is looking at different options.

In response to a question, Bangs stated there have been two buyers interested in the property, but no offers have been made. One party was interested in a frontage lot for office use. Bangs stated US Bank has withdrawn their commitment to do the construction loan and the end loan. Davidson stated she has opened discussions with two other local banks regarding the loans, and there are still a couple different organizations who are interested in the purchase of tax credits.

Hoffmann stated he is nervous about the situation MHA is in regarding the IDC Site, and is in favor of pursuing the sale of the Old Joseph Residence. Davidson said she will review the disposition policy. Hoffmann asked for a poll of the Board members who are in favor of pursuing the sale of the Old Joseph Residence. Lund, Bangs, Boyle were all in favor. In a response to a question from Bangs regarding the bare land costs of Garden District, Davidson stated the cash price in the pro forma is \$367,000 which is about \$10,000 a door. The purchase price is \$487,000. The difference in the amount is what MHA is contributing as grant match in the write down of the loan that IDC owes to MHA. Davidson stated in order to pay losses at IDC \$15,000 a door in any new construction is necessary, unless the sale of the commercial lots can offset that difference.

b. Nicole Court: Davidson stated Summit Management Group (SMG), a tax credit developer, expressed interest in purchasing the property for a tax credit project. She said the price she asked for the land was \$300,000 with all the surveying and architectural plans included. SMG asked if an earnest money payment would be accepted. Davidson stated yes, as long as SMG paid the holding costs.

Davidson said the sponsor for the raffle, Lowe's, is on hold. Lowe's has indicated that all of the sponsorships are on hold for the time being because of the current economic downturn. Davidson asked for direction from the board to put the property on the market and list it with a realtor. Boyle stated there is a strong sense of trying to recover all the money put into this property, but he thinks there needs to be flexibility in the pricing. Davidson stated if the other costs were broken up this could possibly bring down the land costs. Boyle inquired about the value of the land. Davidson stated three different market studies were conducted and they vary from \$175,000 to \$275,000. There is nothing comparable to this piece of property in the Stevensville area making it difficult to put a

value on the land. SMG would hold onto the land until they could apply for tax credits. Bangs asked if the availability of tax credits has increased and if SMG would have problems being awarded tax credits. Davidson said the availability of tax credits will increase next year as a result of the Housing & Economic Recovery Act per-state allocation increase (passed in July 2008.) The Montana Board of Housing is committed to doing tax credits in smaller rural areas. In response to a question from Pietro, Davidson stated SMG would be more likely to receive tax credits because they are looking to build in a rural area. Hoffmann stated he also supports flexibility in the pricing of the land.

c. Board Strategic Planning: Davidson stated the date is set for November 20, 2008. She has asked Melissa Bangs to be the facilitator. The meeting will be held in the Orchard Gardens Community Room at no charge. Lunch will be catered.

d. Davidson mentioned that she has been trying to negotiate a property management agreement with homeWord's tax credit investors. This negotiation has not been going well. Worthington has issues with the property management addenda the investors are proposing. Worthington stated the terms the investors are proposing create risk and liability to MHA. If this cannot be worked out Worthington advises MHA to cease managing homeWord's properties. Further discussions to work out the problems with the investors will continue.

e. Staff satisfaction survey: Mitchell stated she has not been able to work on the survey. Worthington offered to help Mitchell put together the information. Mitchell welcomed the help.

IX. New Business: NONE

X. Adjournment: The meeting was unanimously adjourned at 7:08 p.m.

James Hoffmann, Board Chair

Lori Davidson, Interim Executive Director