

Missoula Housing Authority Board
Regular Board Meeting & Public Hearing
Wednesday, December 17, 2008

-MINUTES-

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

Members Absent: Sandy Mitchell

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

Guests Present: Keithi Worthington, Scott Hollenbeck, Ken Staninger

- I. Call to Order: The meeting was called to order at 5:47 p.m.
- II. Attendance: See above
- III. Minutes:
Regular Board Minutes November 19, 2008: Hoffmann called for comments. Bangs moved to approve the minutes, Pietro 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. Resolution 883: Approving Lenox Property Management Agreement Addendum:
Davidson explained this is part of MHA's contract with homeWord. Each investor has its own addendum to the property management agreement that they want signed. Worthington has worked out the details with the investor's attorneys. This finalizes the contract with homeWord to manage the Lenox Property. Hoffmann called for questions and comments. There were none. Resolution 883 passed unanimously with all Board members in favor.
- VII. Staff Reports:
 - a. IDC/ Garden District Update: Ken Staninger and Scott Hollenbeck from Properties 2000 were present to inform the Board of potential buyers of lots on the IDC Site. Staninger stated there is an offer from Peak Health and Wellness to purchase lot five of the IDC Site. Jack Toni, Charlie Eiseman, and Doug Mallum are the potential buyers. They want to build an indoor tennis and racquet ball facility on the property. The building would also serve as a second location for the Peak Health and Wellness Center. Staninger said they plan to architecturally design a building that would be in the spirit of the development on IDC. Staninger mentioned they have been in business for about 30 years and are very good operators with the knowledge of how to run health clubs. They have

done due diligence that the purchase agreement required, including but not limited to the environmental which has already been done. They have gone to the expense of a preliminary design with a firm in Seattle, WA who has done all of their health club designs in the past. Staninger did not have a copy of the conceptual design, but said it was forthcoming. Hoffmann asked what knowledge they had about the condition of the lot being offered and if the offer included improvements to the lot. Staninger stated the offer has the seller completing all improvements. They have seen the property and are aware of the subdivision, and removal of concrete and asphalt will have to be dealt with depending on the layout of the road system to be completed. Hoffmann commented their offer is predicated on improvement of streets, sidewalks, and sewer lines being in. Staninger said he presumes that this will be a condition of the final plat approval no matter who buys the lot.

Davidson stated they have two years to complete the improvements and it is currently being bonded. She added the State was in contact with her asking if there were any infrastructure projects that were ready to go that they might include as part of the Neighborhood Stabilization Program Infrastructure Funding that is being proposed for a new economic stimulus package. She has put in a request from the State for these funds. Davidson stated there might be an outside chance that the infrastructure could be paid for by the economic stimulus package in January. However, Davidson stressed that this money should not be counted on because the package may not move forward. The second option would be to have MRA pay for the infrastructure improvements with a TIF Bond. Taxable development on the site would generate taxes that would be used to repay a bond issued by MRA. If MHA could move forward with development of home ownership units on lot three, this could contribute to TIF. MRA needs \$1,000,000 of improvements to issue a bond.

Staninger stated the sooner he can receive answers to these questions and be able to inform potential buyers the better off everyone involved will be. He added anyone looking to build this year will need these answers. Davidson stated water and sewer mains for lot four will be installed in Milwaukee Way for MHA's project, so the mains will be there. These mains will serve lot five. Staninger stressed that he does not believe timing is very critical at this point. The possibility of delaying building until the spring of 2010 might be just fine. Staninger added there is a high demand for indoor tennis and racquet ball and they would like to build as soon as possible. The dates put on the purchase agreement are their best guess, because they do not know when the final plat will be approved. Hoffmann stated at the price offered it is less than four dollars a square foot for a finished lot with all improvements. Davidson added realtor and closing fees would also need to be paid and thinks their offer is low. Boyle and Bangs believe this development would enhance the other lots. Bangs stated if an agreement on price could be reached it is great step forward and this will put IDC in a better position when selling the other lots.

In response to a question by Boyle, Davidson said IDC is in a better position to receive infrastructure assistance as the owner than the buyer would be. Davidson questioned whether MRA would see this as a project they would want to do TIF for, and she asked the Board to take this into consideration. Staninger stated they are sensitive to the

architectural design and will do anything architecturally within reason that makes sense for the neighborhood. He added they are in support of the bike path. Boyle asked Staninger if he knew the price range they are looking to spend on construction. Staninger said possibly 5-6 million. Hoffmann said the buy sell states \$5,000 in earnest money with the balance covered at closing. He questioned if the property would be tied up until September 2009. Staninger answered yes. Hoffmann wanted to know if back up offers could be received. Staninger said yes. Staninger stated at this time there is not a product to close on. He added any buyer needs a due diligence period and said it would not be unusual to have additional earnest monies be forthcoming as the builder starts making progress. In response to a question by Hoffmann, Staninger stated the earnest money after a certain point in the due diligence timeline would be non-refundable. Hoffmann said he is uncomfortable with tying up the property for nine months. It may not close and other potential offers could be missed. Hollenbeck added the due diligence period extends to August 7, 2009, and he does not see why this period could not be shortened. Hoffmann is concerned about so little money for such a long length of time. Boyle stated he agrees, especially with the purchase price offered. Bangs and Davidson both agreed that the price needs to be discussed. Staninger stated the offer needs to be responded to by December 30, 2008. Staninger said there are still a lot of unknowns, which is the reason for the long time period requested.

Hoffmann asked for the Board's preference. Boyle stated he believes the Board should discuss the offer after their agent (Staninger) is gone. Staninger left the meeting.

Hollenbeck stated Don Sokoloski, a broker at Properties 2000, will be doing the representation for Toni, Mallum, and Eiseman. Hollenbeck is not representing them. He gave a brief synopsis of Toni, Mallum, and Eiseman's background.

Hollenbeck informed the Board two other groups have expressed interest in the IDC Property. One of the interested parties is Platinum, LLC. represented by Clair Thompson and Mark McQuirk from Lambros Real Estate. This group wants to build a neurosurgical hospital which would employ approximately 100 people. The original offer was for all four lots, but they believe they could build the project on three lots. This neurosurgical hospital would use cutting edge techniques using an individual's own stem cells to rehabilitate an injured individual. Their use of stem cells is not the technique that is surrounded by controversy. Platinum, LLC. is also interested in the Old Mill Site. Hollenbeck said he spoke with McQuirk and told him that there is a potentially serious buyer for lot five. McQuirk stated that Platinum LLC is not interested in lot five. Hollenbeck does not know if this group will come back with a new offer for lots one, two, and three.

The second group interested is a governmental agency for a social security office. They are interested in lots one and two. Hollenbeck has not received any additional information.

Worthington stated that any Board decision made on the offer from Peak Health and Wellness could be open to challenge given that this it is not an action item on the agenda.

Davidson stated a special IDC Board Meeting can be noticed for the following week. Bangs stated the Board can discuss this and make a decision next week at the IDC Board Meeting. Davidson stated the Board has the authority to authorize the Executive Director to take action on what the Board decides. Bangs stated a public noticed meeting would still need to take place before the Board could authorize the Executive Director to do anything. Davidson said she would like the consensus of the Board before she acts. McGrath suggested the Board create a committee to do research on prospective buyers and come back to the Board with information gathered. Bangs stated the IDC update portion of the meeting needs to be discussed (this is happening later in the agenda) before any further decisions are made regarding this purchase proposal. Bangs definitely wants to make a counter offer before the expiration date. Hoffmann asked how soon the Old Mill Site could offer a piece of land. Hollenbeck responded not as soon as a lot on IDC could be offered. Construction could take place within the year on the IDC Property and not on the Old Mill Site.

Bangs asked Hollenbeck to discuss with Toni, Eiseman, and Mallum from Peak Heath and Wellness how much they can move back the contingency date and if they will consider non-refundable earnest money. Hollenbeck suggested after they complete due diligence \$50,000 in non-refundable earnest money be proposed. Hollenbeck stressed it is absolutely customary that after due diligence is completed non-refundable earnest money be paid. Hollenbeck believes 4-6 months is plenty of time to complete due diligence. Hoffmann asked Hollenbeck to suggest to any potential buyer who has problems with the riverfront overlay to approach City Hall about changes. He said it is a good time to make progressive changes and is willing to help if needed. Bangs would like to see a preliminary design of the building. Hollenbeck does not foresee a problem with the Board seeing the design.

The Board discussed creating a committee to review potential offers. Worthington stated the time and agenda of the committee meetings would need to be publicly noticed forty-eight hours in advance.

Davidson stated she does not recommend accepting under \$600,000 net for the lot. It puts a lot of pressure on selling the other lots at a higher price. Hoffmann asked if this included improvements. Davidson stated \$600,000 after realtor fees and closing costs. Bangs said he hopes many of the improvements will be completed by MRA. He added putting in streets, etc., will raise the value of the property.

Boyle asked how attractive a tennis and racquet ball building is going to be and wonders what Ellen Buchanan at the City will think of this idea. Boyle suggested allowing Ellen to look at the plans and get her input. Davidson mentioned that since it is a back lot the design might not be a big problem.

Davidson stated there are two acres for sale directly across the street from IDC on Catlin Street. This is another land option for replacement public housing if lot three is sold. Hollenbeck said this parcel of land is owned by the International School and has been on

the market for two years. It is listed at \$675,000. Hollenbeck responded to a question by Hoffmann that this land is zoned for mixed use.

The IDC Board Meeting is scheduled for Monday, December 22, 2008 at 5:30 p.m.

Zander asked when they are going to widen Russell Street. Hoffmann stated he does not know when, but any widening of the right of way will be on the east side of the street not the west. Davidson said they are only giving a five foot wide sidewalk easement on the IDC Property.

Staff Reports:

Davidson stated construction bids were opened December 8, 2008 and Sirius Construction was the low bidder. The bid allows all alternates and is within the pro forma budget. The HOME and CDBG funds contracts are being finalized. Davidson, Hoffmann, Bangs, and Worthington met with Sirius Construction to discuss the contract details. City Council is very supportive of the project. A winter start for construction is expected and there is an obligation to have two buildings complete with 11 units leased up by December 31, 2009. Davidson is expecting money from MRA to help with the sidewalks and ditch improvements. In response to a question by Bangs, Davidson stated the total developer's fee is \$623,000. Bangs asked if some of the developer's fee could be used if necessary to cover interest payments on the rest of the IDC property. Davidson said yes. Davidson said in response to a question by Hoffmann the construction contingency is a little over \$300,000. With all the add alternates and the addition of appliances which were originally not part of the contract the construction cost is about 3.9 million dollars. This is the amount that is in the tax credit pro forma. Some offsite improvements need to be completed before the project can take place.

Lund questioned the satisfaction of previous projects completed by Sirius Construction. Bangs and Davidson both replied that was the reason for the meeting with Sirius Construction to discuss expectations and contract details. In response to some concerns by Pietro, Hoffmann stated Sirius Construction was about \$200,000 less than the next highest bidder. Boyle asked when a bidder is that much lower than other bids if there should be some concern or could there be a possible mistake. Hoffmann stated he does not believe that this amount is any cause for concern and has confidence in their work. Hoffmann added MMW, the architects, will be watching their progress closely. Davidson stated their will be certain staff from MHA making routine stops to monitor progress.

Davidson stated she is working with Missoula Irrigation Company to finalize the ditch agreement. Worthington stated Ray Tipp is concerned with creating extra liability and cost for the Missoula Irrigation Company and the longevity of the ditch agreement. Worthington is currently working on getting the agreement finalized, but is having problems with communication between her and Tipp. The Board discussed possible ways of solving the ditch agreement problem. Worthington stated the arbitration agreement can be taken out of the ditch agreement.

VIII. Old Business:

a. 2222 Rattlesnake: Davidson stated John Torma from the Missoula Children's Theatre (MCT) has informed her the MCT's Board is not willing to commit to buying the property until they know for sure the school is going to succeed. Bangs asked with IDC moving forward if holding off on selling the property would be an option? He said there may be a use for the property in the future. Hoffmann agreed. Boyle would also like to hold off on the sale of the property.

b. Nicole Court: Davidson said the property is listed with Maura Murray for \$290,000.

c. Board Strategic Planning: Davidson said she met with McGrath and Melissa Bangs to go over the next steps in the board strategic planning process. Davidson would like the Board to review the minutes of the Board Strategic Planning Day and would like each Board Member to e-mail her with any responses, thoughts, or concerns. Davidson reviewed who on the Board was going to participate in the different community meetings. Davidson said a meeting with Melissa Bangs, Bangs, Hoffmann, and McGrath is needed to develop some talking points to lead the conversations with the Mayor and OPG. Davidson will send a follow up e-mail to these Board Members.

Davidson stated Adam Ragsdale has been hired for the Operations Director position and will start January 12, 2009.

d. Staff satisfaction survey: Hoffmann would like to see a blending of the different types of surveys presented by Mitchell at the November Board Meeting. Further discussion of this topic will take place at the next board meeting when Mitchell is present.

IX. New Business: NONE

X. Adjournment: The meeting was unanimously adjourned at 7:59 p.m.

James Hoffmann, Board Chair

Lori Davidson, Interim Executive Director