

HOUSING DIVISION – MONTANA BOARD OF HOUSING

MACo Building
2715 Skyway Drive – Helena Montana 59602
August 10, 2015

ROLL CALL OF BOARD

MEMBERS: J.P. Crowley, Chairman (Present)
Bob Gauthier (Excused)
Doug Kaercher (Present)
Ingrid Firemoon (Excused)
Jeanette McKee (Present)
Pat Melby (Present)
Sheila Rice (Excused)

STAFF: Bruce Brensdal, Executive Director
Mary Bair, Multifamily Program
Ginger Pfankuch, Accounting & Finance Manager
Vicki Bauer, Homeownership Program
Mary Palkovich, Servicing Program
Stacy Collette, Operations Manager
Paula Loving, Executive Assistant
Kellie Guariglia, Multifamily Program
Angela Heffern, Accounting Program
Todd Jackson, Multifamily Program
Charlie Brown, Homeownership Program
Jeannene Maas, Homeownership Program
Jessica Johnson, Servicing Program
Rena Oliphant, Multifamily Program
Kendra Lloyd, Multifamily Program
Dave Parker, Section 8 Program Manager

COUNSEL: Greg Gould, Luxan and Murfitt
John Wagner, Kutak Rock

UNDERWRITERS: Mina Choo, RBC Capital

OTHERS: Nate Richmond, BlueLine Development
Jason Beal, BlueLine Development
Tom Mannschreck, Thomas Development
Heather Grenier, HRDC IX
Liz Mogstad, RMDC
Don Sterhan, Mountain Plains Equity Group,
Dargan Murphy, Commonwealth
Julie Siheler, Homeward

Heather McMilin, Homeword
Andrea Davis, Homeword
Greg Dunfield, GMD Development
Harlan Wells, Missoula Housing Authority
Steve Hanson, LPW Architects
Steve Dymoke, GMD Development
Adam Gratzner, Communities For Veterans
Alex Burkhalter, Housing Solutions
Rusty Snow, Summit Housing
Mike Hughes, Mike Hughes Building
Beki Brandborg, Echo Enterprises
Gene Leuwer, GL Development
Brian Barnes, DPPHS
Caroline Roy, Prime Mortgage Lending Inc.
Lucy Brown, Housing Authority of Billings
Lori Davidson, Missoula Housing Authority

CALL MEETING TO ORDER

Vice Chairperson Jeanette McKee called the Montana Board of Housing (MBOH) meeting to order at 10:03 a.m. Introductions were made. Chairman asked for any public comment not on the agenda.

APPROVAL OF MINUTES

Pat Melby moved to approve the June 8, 2015 MBOH Board meeting minutes and Doug Kaercher seconded the motion. Vice Chairperson McKee asked for comments. The June 8, 2015 Board meeting minutes were passed unanimously.

FINANCE PROGRAM

Bruce Brensdal introduced Ginger Pfankuch as the new Finance and Accounting Program Manager, who provided Finance program update. Ginger reviewed the Diversification of the MBOH portfolio.

HOMEOWNERSHIP PROGRAM

Vicki Bauer introduced Caroline Roy who brought to the Board a request from Prime Mortgage Lending, Inc., for approval as an MBOH Participating Lender. Prime Mortgage has a branch office in Bozeman with two loan officers with a parent company in Apex, NC. Their primary interest is in the MBOH MCC Program. Doug Kaercher moved to approve Prime Mortgage Lending, Inc., as an MBOH Participating Lender and Pat Melby seconded the motion. Vice-Chairperson McKee asked for comments. Prime Mortgage Lending, Inc., was approved unanimously as a Participating Lender.

Vicki Bauer provided a Homeownership Program update. Staff is working on the next Bond issuance for the regular program and will include the refinancing of three bond series.

MULTIFAMILY PROGRAM

Mary Bair presented the Letter of Intents for the 2016 Housing Credits. The low income housing tax credit is established under Section 42 of the Internal Revenue Code of 1986. The credit is a federal income tax credit for Owners of qualifying rental housing which meets certain low income occupancy and rent limitation requirements. The per state resident amount of tax credit allocated annually for housing is limited to \$2.30 with a minimum cap as allocated by IRS, whichever is larger. Montana Board of Housing (MBOH) is the state agency that allocates the tax credits for housing located in Montana. MBOH currently has over 200 properties and 6,200 units that it monitors for compliance.

Bruce Brensdaal provided the overview of the Letter of Intent process. The Letter of Intent is to give Board and Staff a general overview of potential Housing Credit applications that may be submitted in the 2016 allocation round. The information includes the project's city, amount of credits being asked for, number of buildings and units, and a breakdown of units and what percent of AMI expected to be targeted.

Mary Bair introduced each Letter of Intent project:

- Noble Homestead, Pablo – Developer is Aloha NOBLEHOUSE Inc. & American Covenant Senior Housing Foundation, Inc. – The proposed project will be the new construction of 24 family units. At current, the Housing Credits requested is \$260,000. The Cost per unit is \$167,131 and cost per square foot is \$143.77.
- Riverview Meadow Apartments, Whitefish – Developer is Commonwealth Development Corporation – Daryn Murphy stated the proposed project will be the new construction of 36 family units. At current, the Housing Credits requested is \$658,000. The Cost per unit is \$229,000 and cost per square foot is \$207.79. Mr. Murphy the application will be more refined in hopes to keep costs down.
- Meadows Senior Apartments, Lewistown – Developer is Thies and Talle Enterprises – Ken Talle stated the proposed project will be the acquisition/rehabilitation of 35 senior units. At current, the Housing Credits requested is \$276,550. The Cost per unit is \$111,133 and cost per square foot is \$189.17. This property is 100% Project Based Section 8 rental assistance and will need rehabilitation to allow it to offer 30% AMI.
- Courtyard Apartments, Kalispell – Developer is Recapitalization Montana, LLC and Rural Integrity, LLC – Marney McClarey from Community Action Partnership of Northwest Montana stated the proposed project will be the acquisition/rehabilitation of 32 family units. At current, the Housing Credits requested is \$382,927. The Cost per unit is \$167,003 and cost per square foot is \$237.44. Ms. McClarey stated this property is the first property in the state to have Section 811 units.
- Red Fox Apartments, Billings – Developer is Housing Authority of Billings – Lucy Brown stated the proposed project will be the new construction of 30 family units. At current, the Housing Credits requested is \$347,693. The Cost

- per unit is \$173,877 and cost per square foot is \$207.74. Ms. Brown stated this application will have more one bedroom units than prior applications due to the difficulties finding affordable housing for the VASH and Shelter Plus Care programs. The need for affordable housing is so high that the last Subsidy voucher issuance only resulted in 53% lease up.
- Big Sky Villas, Belgrade – Developer is HRDC District IX, Inc. – Heather Grenier stated the proposed project will be the acquisition/rehabilitation of 24 family units. At current, the Housing Credits requested is \$268,000. The Cost per unit is \$149,167 and cost per square foot is \$196.44. Ms. Grenier stated the last tax credit property awarded to Belgrade was in 2007 and this would property would preserve the Rural Development subsidy.
 - Timber Meadows, Kalispell – Developer is Immanuel Lutheran Communities and CR Builders, LLC – Don Sterhan from Mountain Plains Equity Group stated the proposed project will be the new construction of 40 senior units. At current, the Housing Credits requested is \$662,500. The Cost per unit is \$191,695 and cost per square foot is \$138.35.
 - Stower Commons, Miles City – Developer is Housing Solutions – Alex Burkhalter stated the proposed project will be the new construction of 24 family units. At current, the Housing Credits requested is \$485,000. The Cost per unit is \$211,336 and cost per square foot is \$189.30. Mr. Burkhalter stated this application has decreased the number of units and increased the one bedroom units from its previous applications.
 - Bitterroot Valley Villas, Hamilton – Developer is Beki Glyde Brandborg– Beki Brandborg stated the proposed project will be the acquisition/rehabilitation of 34 family units. At current, the Housing Credits requested is \$327,654. The Cost per unit is \$131,683 and cost per square foot is \$169.05. Ms. Brandborg stated this is the only family units in Hamilton which receives Rural Development subsidy and it contains no vacancy.
 - Little Jon Apartments, Big Fork – Developer is GMD Development/Homeword – Steve Dymoke stated the proposed project will be the acquisition/rehabilitation of 32 family units. At current, the Housing Credits requested is \$257,779. The Cost per unit is \$120,865 and cost per square foot is \$166.71. Mr. Dymoke stated the goal of this project is the preservation of the Rural Development subsidy.
 - Cascade Ridge Senior Living – Phase II, Great Falls – Developer is Benefis Cascade Ridge, LLC and CR Builders, LLC – Don Sterhan from Mountain Plains Equity Group stated the proposed project will be the new construction of 16 senior units. At current, the Housing Credits requested is \$32,970. The Cost per unit is \$183,560 and cost per square foot is \$152.49. Mr. Sterhan stated the construction cost from the approved 2012 application was higher than anticipated and when asked clarified the additional Housing Credits would not increase the cost per unit.
 - Rose Park Apartments, Bozeman – Developer is Summit Housing Group, LP –

Rusty Snow stated the proposed project will be the new construction of 16 senior units. At current, the Housing Credits requested is \$32,970. The Cost per unit is \$183,560 and cost per square foot is \$152.49.

- Trapper Peak Apartments, Hamilton – Developer is Summit Housing Group, Inc. – Rusty Snow stated the proposed project will be the new construction of 15 family units. At current, the Housing Credits requested is \$268,000. The Cost per unit is \$197,124 and cost per square foot is \$193.26.
- Aspen Place III, Butte – Developer is Butte Affordable Housing/Thomas Development Co. – Thomas Mannschreck stated the proposed project will be the new construction of 32 family units. At current, the Housing Credits requested is \$472,716. The Cost per unit is \$189,320 and cost per square foot is \$189.23. Mr. Mannschreck stated the affordable housing in Butte is very small and this project, along with the rehabilitation of recently acquired Atherton I and II (renamed Aspen Place I and II), will ease some of the zero vacancy in Butte.
- Freedom's Path at Fort Harrison, Helena – Developer is Communities for Veterans Montana LLC – Adam Gratzler stated the proposed project will be the acquisition/rehabilitation of 22 family units and new construction of 20 family units. At current, the Housing Credits requested is \$670,466. The Cost per unit is \$229,628 and cost per square foot is \$251.44. Mr. Gratzler stated an application for HUD VASH has been submitted by Department of Commerce for this project.
- Polson Landing, Polson – Developer is Housing Solutions – Alex Burkhalter stated the proposed project will be the new construction of 40 family units. At current, the Housing Credits requested is \$663,000. The Cost per unit is \$185,323 and cost per square foot is \$174.01.
- Missoula Senior, Missoula – Developer is Sparrow Group Inc. – Alex Burkhalter from Housing Solutions stated the proposed project will be the new construction of 61 senior units. At current, the Housing Credits requested is \$670,000. The Cost per unit is \$143,714 and cost per square foot is \$173.98. Mr. Burkhalter stated the need for affordable housing increases by 50 units each year.
- Glasgow Apartments, Glasgow – Developer is Northwest Real Estate Capital Corp. – Jason Bial from BlueLine Development, Inc., stated the proposed project will be the new construction of 16 family units. At current, the Housing Credits requested is \$258,948. The Cost per unit is \$182,579 and cost per square foot is \$205.72. Mr. Bial stated the last tax credit award in Glasgow was 1992.
- Nicole Court Senior Apartments, Stevensville – Developer is District XI Human Resource Council – Harlan Wells from Missoula Housing Authority stated the proposed project will be the new construction of 16 senior units. At current, the Housing Credits requested is \$342,988. The Cost per unit is \$238,419 and cost per square foot is \$259.15. Mr. Wells stated the cost per unit appears high; however, plans are to bring the cost down by application deadline.
- North Star Apartments, Wolf Point – Developer is GL Development – Gene

Leuwer stated the proposed project will be the new construction of 26 family units. At current, the Housing Credits requested is \$543,000. The Cost per unit is \$229,962 and cost per square foot is \$183.97. Mr. Leuwer stated the cost per unit is high, but this reflects the price to build in the area of Montana.

- Blackfeet Homes VI, Browning – Developer is Blackfeet Housing – Chancy Kittson stated the proposed project will be the new construction of 30 family units. At current, the Housing Credits requested is \$667,060. The Cost per unit is \$229,999 and cost per square foot is \$173.58. Mr. Kittson stated this is the sixth time this project has submitted for tax credits and the current waitlist is around 150. The rental units will have Native American Housing Assistance and Self Determination Act (NAHASDA).
- River Ridge Apartments, Missoula – Developer is Missoula Housing Authority – Harlan Wells stated the proposed project will be the acquisition/rehabilitation of 70 senior units. At current, the Housing Credits requested is \$95,421. The Cost per unit is \$1,363.00 and cost per square foot is \$149.84. Mr. Wells stated this application was originally awarded in 2015 with returned tax credits. The amount being asked is the remaining balance not awarded in 2015.
- Gateway Vista, Billings – Developer is Billings YWCA and CR Builders LLC – Don Sterhan from Mountain Plains Equity Group stated the proposed project will be the new construction of 27 family units. At current, the Housing Credits requested is \$432,318. The Cost per unit is \$173,765 and cost per square foot is \$179.76.
- Sweetgrass Commons, Missoula – Developer is Homeward, Inc. – Heather McMilin stated the proposed project will be the new construction of 26 family units. At current, the Housing Credits requested is \$33,061. The Cost per unit is \$230,913 and cost per square foot is \$175.20. Ms. McMilin stated these tax credits would allow for a full award of tax credits of the initial application submitted in 2015.
- Southern Lights, Billings – Developer is Homeward, Inc. – Heather McMilin stated the proposed project will be the acquisition/rehabilitation of 20 family units. At current, the Housing Credits requested is \$350,000. The Cost per unit is \$173,750 and cost per square foot is \$125.91. Ms. McMilin stated the HOME application was up for review in Washington DC.

Vice Chairperson McKee thanked all applicants for their time and efficient overview of each project. Jeanette asked the applicants if they had questions for the Board. Alex Burkhalter stated he appreciated the discussion of the Letters of Intent. Mr. Burkhalter asked if the Board could provide any feedback on what each Board member will be looking for during their review of projects.

Doug Kaercher stated he wants to know how shovel ready the project is and where the land is in the city. Doug also stated the comparable cost per unit for all projects.

Sheila Rice stated she generally looks for geographical distribution over the history of tax credits. Sheila stated she will be looking for underserved areas of tax credits. Sheila

also stated the Board will need to decide how to award projects based on rehabilitation or new construction.

Pat Melby elaborated on the new construction vs rehabilitation, stating he will look at the maturity of the existing tax credit properties.

J.P. Crowley stated he will look at the cost of rehabilitation and the overall cost of project and the number of units.

Jeanette McKee stated she will review the cost per square foot and the struggle with the cost to build in areas. Jeanette reminded the applicants that no Board member knows what the other Board members are thinking until the day of the award meeting, which can make for a messy process and she stated she appreciates the applicants support for the process.

Mary Bair brought to the Board a request from GMD Development and Homeword regarding substantial changes in the Hillview Apartments. Greg Dunfield, GMD Development, and Andrea Davis, Homeword, provided a history of the project. Located in Havre, the Hillview Apartments is a 52 unit property that received Housing Credits in 2013. Through the process the Architect left the project and failed to provide several design changes. A complete review of the application and the project resulted in substantial changes which needed MBOH Board approval. While this was an oversight, both Mr. Dunfield and Ms. Davis apologized to the Board for failure to recognize the process. Documentation had been submitted for the Board's review to clarify any changes to the project.

Pat Melby moved to retroactively approve the Hillview Apartments changes. Sheila Rice seconded the motion. Vice Chairperson McKee asked for comments.

Sheila Rice noted for the record that the scoring of the initial project submission would not have changed. The Hillview Apartment changes were approved unanimously.

Mary Bair brought to the Board the Private Placement Policy. Bruce Brensdaal stated normally with bond issuances, a trustee is utilized to ensure all steps are completed. In this type of bond issuance, these bonds are sold to a bank and the bank holds the loan for the project, making the trustee unnecessary.

Pat Melby moved to approve the amended Private Placement Policy. J.P. Crowley seconded the motion. Vice-Chairperson McKee asked for comments. Thomas Mannshreck stated his support for this policy. The Private Placement Policy was approved unanimously.

Mary Bair provided the Board with the Multifamily program update. Mary introduced Nate Richmond, BlueLine Development, who provided the Board with an update of the Apsalooke Warrior Apartments. The Grand opening will be August 25, 2015 and extended the invitation to the Montana Board of Housing.

EXECUTIVE DIRECTOR UPDATE

Bruce Brensdaal inquired the Board's availability for a Conference Board meeting on August 20, 2015 for a bond issuance application for the Larkspur Apartments in

Bozeman. Based on availability, there will be a Larkspur Apartments bond issuance will take place on August 20, 2015 at 9:00 a.m.

Mary Palkovich provided the Loan Servicing program update. Staff has been working to finalize all of the recent transfer of loan portfolios to MBOH.

Stacy Collette provided the Operations update. Staff continues to work on the Strategic planning and updates will be provided at the training session in November. In addition, staff has been working to update all job descriptions as required by the Department.

Meeting adjourned at 1:20 p.m.

Sheila Rice, Secretary

Date