

MONTANA BOARD OF HOUSING

301 S. Park – Room 228 and via Webinar, Helena MT

April 9, 2012

ROLL CALL OF BOARD

MEMBERS: J.P. Crowley, Chairman (Present via Webinar)
Betsy Scanlin, Vice Chairman (Present)
Jeff Rupp, Secretary ((Present)
Audrey Black Eagle (excused)
Bob Gauthier (Present)
Jeanette McKee (Present)
Sheila Rice (Present)

STAFF: Bruce Brensdal, Executive Director
Chuck Nemece, Accounting
Mary Bair, Multifamily Program
Vicki Bauer, Homeownership Program
Penny Cope, Marketing & Web Specialist
Paula Loving, Administrative Assistant
Charlie Brown, Homeownership Program
Kellie Guariglia, Multifamily Program
Emy Ingebritson, Accounting Program
Judy Tice, Multifamily Program
John Allen, Accounting Program
Bob Vanek, Multifamily Program
Todd Jackson, Multifamily Program
Lisa Tedder, Homeownership Program
Angela Heffern, Accounting Program

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

UNDERWRITERS: Mina Choo, RBC
Gordon Hoven, Piper Jaffray

TRUSTEES: Sandy Shupe, Wells Fargo Bank
Tong Patten, Wells Fargo Bank

OTHERS: Steve Grover, Grover Development Group
Alex Burkhalter, Sparrow Group
Tim German, Sparrow Group
Kris Wilkinson, LFD
Tom Mannschreck, Thomas Development

Revonda Stordahl, Butte Affordable Housing
Kim Shappee, Bank of Montana
Dab Dabney, Farmhouse Partners
Scott Keiper, Summit Housing Group
Harlan Wells, Summit Housing Group
Chancy Kittson, Blackfeet Housing Authority
Woodrow Wells, Blackfeet Tribe
Sanjay Talwani, Independent Record
Gene Leuwer, Rocky Mountain Development Council
Alvina Sullivan, Soroptimist Village
Jim Morton, HRC – District XI
Lucy Pettapiece, Soroptimist Village
Benna McGeorge, Soroptimist Village
Anna Crawford, Soroptimist Village
Theresa Robinson, Soroptimist Village
Nate Richmond, BlueLine Development
Kelly Gill, BlueLine Development
Greg Dunfield, GMD Development
Craig Taylor, Communities for Veterans
Tim Morgan, Mountain Plains Equity Group
Jack Jenks, Summit Housing Group
Jared Hawkins, Edward Jones Investment
Josh Kosar, Missoula Housing Authority
Julie Stiteler, Homeword, Inc.
Sean McKenna, GMD Development
Matt Raplinger, Travois
Gail Briese-Zimmer, Rocky Mountain Development Council
Liz Mogstad, Rocky Mountain Development Council
Stacey Netz, Richland County Housing Authority
Patrick Klier, Summit Management Group
Sam Long, Summit Housing Group
Heather McMilin, homeWORD
Don Sterhan, Mountain Plains Equity Group
Kathleen O'Grady, Communities for Veterans
Don Paxton, Beneficial
Marney McCleary, CAPNWMT
Teresa Bell, Department of Veterans Affairs
Eileen Piekarz, Rural Community Assistance Corporation
Tarie Beck, Mountain Plains Equity Group
Shyla Patera, NCILS
Michelle Olmstead
David Bland, Travois, Inc.
Claire Casazza, Thomas Development Co.

CALL MEETING TO ORDER

Vice-Chairwoman Betsy Scanlin called to Order at 1:00 p.m. Introductions were made. Bruce Brensdaal reviewed the process for the Webinar participation. The Board meeting was suspended for the TEFRA Public Hearing. Upon resuming the regular Board meeting, the Vice-Chairwoman asked for any items not listed on the agenda.

APPROVAL OF MINUTES

Bob Gauthier moved to approve the February 13, 2012 minutes and Jeanette McKee seconded the motion. Vice-Chairwoman Scanlin asked for comments. The February 13, 2012 minutes were approved unanimously.

FINANCE PROGRAM

Chuck Nemec provided a Finance update. Chuck introduced Emy Ingebritson and John Allen as the Mortgage Accountant and Investment Accountant for MBOH. The 10-year Treasury dropped to 2.03% as of meeting time. The rate indicates continued low investment earnings and MBOH loan rates are close to other mortgage rates in the Montana market.

Chuck Nemec provided the Board the Investment Report – Diversification & Average Yield for December 31, 2011 and the Results of Operations FY 2012, for the first six months. Chuck pointed out the Multifamily – LIHTC deficit is due to the Tax Credit applications and compliancy funds which is received in January 2012 and will be reflected on the March 2012 report.

S&P released the U.S. Public Finance Report Card on State Housing Finance Agencies (HFA). Generally, the report states that most HFA's have experienced setbacks consistent with the general mortgage market but have stabilized their housing programs. MBOH program continues to be rated AA+ (single family indentures) with a "Stable" outlook.

Chuck Nemec introduced Mina Choo, RBC Capital Markets, who briefed the Board on the upcoming Bond Issuance. Mina stated NIBP Program has been extended to 12/31/2012, which will mostly likely be the final extension. The NIBP Program changed some of the requirements with the extension. The Program no longer requires the 40% market bond requirement with 60% NIBP funds. Mina stated the MBOH should have another bond issuance, with a timeline for pricing in late June and closing at the end of July.

HOMEOWNERSHIP PROGRAM

Vicki Bauer provided the Homeownership Program update. The NIBP Program has 14.7 million reserved funds for loans. Vicki reviewed the Servicer Delinquency Rate Comparison Report. This report reflects the February MBOH purchase of First Interstate Bank's portfolio.

Bob Gauthier moved and Sheila Rice seconded the motion to approve the Bond Resolution No. 12-0409-S1:

A resolution of the Montana Board of Housing making findings with respect to housing needs within Montana; approving the issuances and delivery of, and authorizing the determination of certain terms of, a maximum of \$65,000,000 of single family homeownership bonds 2012 series a to make funds available to refund outstanding bonds and to purchase loans and approving the sale thereof pursuant to a purchase contract; approving the release of proceeds of, and the conversion of the interest rate on, a portion of single family homeownership bonds to be designated as 2009 Series D in an aggregate principal amount not to exceed \$40,000,000; approving the form of the related supplemental trust indentures, preliminary official statement and final official statement, continuing disclosure agreement and other documents, and authorizing the execution thereof; and providing for other matters properly relating thereto.

Vice-Chairwoman Scanlin asked for comments. Bond Resolution No. 12-0409-S1 was approved unanimously.

Vicki Bauer introduced Kim Shappee from Bank of Montana. Bank of Montana has submitted an application for approval as an MBOH Participating Lender. Kim provided a brief overview of Bank of Montana. Jeff Rupp moved to approve Bank of Montana as a participating lender. Bob Gauthier seconded the motion. The Vice-Chairwoman asked for comments. Bank of Montana was approved unanimously.

Vicki Bauer reviewed the Set-aside Report.

MULTIFAMILY PROGRAM

Mary Bair provided the Board with the Multifamily Program update. Mary introduced Bob and Todd. Mary introduced John Wagner, Kutak Rock, who reviewed Bond Resolution No 12-0409-MF2, which would amend Resolution No 12-0109-MF1. Bond Resolution No 12-0409-MF2 includes:

Section 1. That Resolution No. 12-0109-MF1 is hereby amended to provide that the Bonds shall mature no later than the maximum maturity date authorized by the Act and that maximum of 25% of the Bonds may be separately secured and/or sold on a private placement basis to purchasers, other than Glacier Bank, as designated by an Authorized Officer of the Board.

Section 2 This Resolution shall become effective immediately.

Jeanette McKee moved to approve Resolution No. 12-0409-MF2 and Jeff Rupp seconded the motion. Vice-Chairwoman asked for comments. The Resolution No. 12-0409-MF2 was approved unanimously.

Mary Bair introduced Kellie Guariglia, who provided a brief presentation of the 14 Low Income Housing Tax Credit (LIHTC) application sites.

Mary Bair reviewed the QAP's requirements for the Board's selection of the projects that will receive awards of Low Income Housing Tax Credits (LIHTC):

The awarding of points to projects pursuant to the QAP is for the purpose of determining that the projects meet at least the minimum development selection criteria of the QAP and to assist the Board in evaluating projects, but does not control the selection of projects that will receive an award of tax credits. The Board will select the projects to receive an award of tax credits that it determines best meet the needs of low income people within the state of Montana regardless of the points scored by each of the several projects or staff recommendations. The Board may consider the following factors in selecting projects for an award of tax credits to qualifying projects:

- The geographical distribution of tax credit projects;
- The rural or urban location of the projects;
- The overall income levels targeted by the projects;
- Rehabilitation of existing low income housing stock;
- Sustainable energy savings initiatives;
- Financial and operational ability of the applicant to fund, complete and maintain the project through the extended use period;
- Past performance of an applicant in initiating and completing tax credit projects; and
- Cost of construction, land and utilities.

If the Board awards credit to an applicant where the award is not in keeping with the established priorities and selection criteria of this Plan, it will publish a written explanation that will be made available to the general public pursuant to Section 42(m)(1)(A)(iv) of the Internal Revenue Code.

Mary Bair presented comparative information regarding the 2012 Low Income Housing Tax Credits (LIHTC) applications, the staff's scoring of the applications, and staff recommendations for LIHTC awards. MBOH received 15 applications, including three projects in the Small Projects funding and seven from Non-profit organizations. One project withdrew its application. The total requested was \$7,209,430, with a total of MBOH \$2,534,920 LIHTC allocation funds. The applicants initially presented the projects to the Board at the February 13, 2012 Board meeting.

Mary Bair also submitted for the Board's consideration an April 8, 2012 email (with attachments) to Board members from Steve Grover of Grover Development Group, Developer of the Haven Homes project, one of the applicants, regarding scoring of the Haven Homes application. Staff scored the Haven Homes project at 73 points, below the minimum threshold for Board consideration. The email attachments include the application section at issue and materials demonstrating the basis for staff scoring of the application.

Mary Bair also presented for the Board's consideration an April 5, 2012 letter from Donald Paxton, President of Communities for Veterans, sponsor of the Freedoms Path application, regarding scoring of the Freedoms Path application and requesting an increase in the point score for the application.

Mary Bair also submitted an April 3, 2012 letter from Bruce Gerlach in support of the Stoneridge Apartments application.

Vice-Chairwoman Scanlin asked for public comment on the 14 applications. Bruce Brensdal requested all public comment on projects be limited to five minutes. The following is a brief summary of the comments.

- Haggerty Lane – Bozeman (Small project – New Construction) – Farmhouse Partnership Dab Dabney provided the overall need for affordable housing within Bozeman. The project received letters of support. There was no opposition to the project at the time of the Board meeting.
- Sweet Grass Apartments – Shelby (Small project, Non-Profit – New Construction) – BlueLine Development – Nate Richmond stated staff did an excellent job on reviewing the application. The goal for development of this project was to include every unit size so the entire community will have access to the project.
- Haven Homes – Missoula (Small project – New Construction) – Grover Development Group – Steve Grover voiced concern regarding clarification of the application by MBOH staff and low scoring of the application. Steve stated that there was no intent to evict tenants prior to the 3-year period protection by the Internal Revenue Code. He felt staff should have contacted him regarding this point, as it did regarding 2 other points.
- Aspen Place – Missoula (Non-Profit – New Construction) – HRC XI – Jim Morton thanked Staff for consideration of their application.
- Depot Place – Kalispell (Non-Profit – New Construction) – Sparrow Group – Alex Burkhalter stated there has not been a new senior construction project in Kalispell since 1999.
- Deer Park Apartments – Dillon (Non-Profit – New Construction) – Butte Affordable Housing – Tom Mannschreck stated that more points should have been awarded in scoring in regards to “soft costs” of the project.
- Hillview Apartments – Havre (General – Acquisition/Rehabilitation) – GMD Development – Greg Dunfield reviewed the staff’s scoring and provided preservation clarifications. Greg indicated that there is no revitalization plan in Havre, so the project through no fault of its own was not able to score all 3 points possible on preservation.
- Red Fox Apartments – Billings (General – New Construction) – no representation
- Parkview Village – Sidney (Non-Profit – New Construction) – Mountain Plains Equity Group – Don Sterhan thanked the staff for the time invested on the application process.
- Freedom’s Path – Fort Harrison (General – Acquisition/Rehabilitation) – Communities for Veterans – Craig Taylor voiced concerns over the staff’s

scoring of the application. Craig stated that the application should have received more points for Montana-based professionals, including the architect, engineer, historical consultant and environmental consultant, involved in the project. In addition, Craig stated that the application should have received the full ten points for special needs targeting reflected in the application.

- Soroptimist Village – Great Falls (Non-Profit – Acquisition/Rehabilitation) – Homewood and Soroptimist Village– Heather McMilin stated the importance of this project is the preservation of existing affordable housing. Benna McGeorge thanked the Staff for taking the time to visit the project.
- Stoneridge Apartments – Bozeman (General – New Construction) –Summit Housing Group – Jack Jenks stated the project is shovel-ready which supports the rental market demands.
- Courtyard Apartments – Kalispell (Non-Profit – Acquisition/Rehabilitation) – Community Action Partnership of NWMT – Marney McCleary clarified the staff's scoring in regards to rents and entity participation track records.
- Blackfeet Homes V - Browning (General – New Construction) – Blackfeet Housing Authority – Chancy Kitson asked for consideration of the project and overviewed the challenges of housing within the reservation. Chancy indicated that there are 500 families on the waiting list for housing on the reservation.

Sheila Rice stated NeighborWorks Montana has a loan with Courtyards Apartments and therefore, on any motion for the Courtyards application, Sheila will be abstaining.

Vice-Chairwoman Scanlin opened the Board discussion. Betsy reminded the Board that the staff scoring of the applications is for purposes of determining whether the applications meet the minimum threshold criteria of the Qualified Allocation Plan, that any criteria in the QAP may be considered by the Board, which has discretionary authority in decision making.

Bob Gauthier moved to approve Haggerty Lane and Sweet Grass Apartments under the small project Set-aside. Jeanette McKee seconded the motion. The Vice-Chairwoman asked for comments from the Board. Jeff Rupp asked about Staff's initial scoring of the Haven Homes application, in light of public comments regarding staff clarifications and scoring. Mary Bair stated that staff had reviewed the comments and staff's scoring remains the same.

Sheila Rice – Yes

Jeff Rupp – Yes

Jeanette McKee – Yes

Bob Gauthier – Yes

JP Crowley – Yes

Betsy Scanlin – Yes

Haggerty Lane and Sweet Grass Apartments were approved unanimously for the Small project allocation.

Jeff Rupp moved to approve Soroptimist Village, Blackfeet Homes V, and Parkview Village for the General/Non-Profit pool. Bob Gauthier seconded the motion. Jeff Rupp thanked all of the applicants for the outstanding projects and with the limited amount of funding; it makes the process so difficult. Jeanette McKee stated she reviewed the projects prior to the Staff's recommendations and these three projects were the top three in mind.

Sheila Rice – Yes

Jeff Rupp – Yes

Jeanette McKee – Yes

Bob Gauthier – Yes

JP Crowley – Yes

Betsy Scanlin – Yes

Soroptimist Village, Blackfeet Homes V, and Parkview Village for the General/Non-Profit pool were approved unanimously.

Jeff Rupp moved to approve Freedom's Path for the General/Non-Profit pool. Sheila Rice seconded the motion. The Vice-Chairwoman asked for comments. Jeff stated this project promotes a special historical preservation and provides housing for deserving veterans. Sheila Rice agreed with Jeff on the creativity of this preservation project and service of our veterans. Bob Gauthier stated his concern regarding the soft costs within this project. Bob questioned whether this is the most efficient use for tax credits. Jeanette McKee asked Staff if the information provided by the developer regarding scoring of the application changed staff's scoring. Mary replied that staff was comfortable that the project was scored in conformance with the provisions of the QAP. Jeanette stated her concern for the apparent lack of participation by the Veterans Administration. Sheila Rice stated the Veterans Administration provided the lease of land for the project at a low rate, which she considers participation by the VA. Betsy Scanlin stated that the land and unused buildings were contributed to the project by the VA. JP Crowley also voiced concern whether tax credits were the best source of funding for veteran needs.

Sheila Rice – Yes

Jeff Rupp - Yes

Jeanette McKee – No

Bob Gauthier - No

JP Crowley – No

Betsy Scanlin – Yes

Without majority, the motion to approve Freedom's Path for Tax Credit allocation failed to pass.

Jeanette McKee moved to approve Depot Place for funding and JP Crowley seconded the motion. Vice-Chairwoman Scanlin asked for comments. Jeff Rupp stated this would be the fifth project in Kalispell since 2008, if funded. Bruce Brensdal clarified that two of those projects were done with tax exempt bond financing outside of the competitive LIHTC process.

Sheila Rice – No

Jeff Rupp – No

Jeanette McKee – Yes

Bob Gauthier – Yes

JP Crowley – Yes

Betsy Scanlin – Yes

With majority, the Depot Place was approved for the General/Non-Profit pool.

EXECUTIVE DIRECTOR

Bruce Brensdal updated the Board on the Mountain Plains Regional Summit in Mandan, North Dakota being held May 1-3, 2012. LegCon will be April 23, 2012 with JP Crowley and Bruce attending.

Penny Cope reminded the Board of the Montana Housing Partnership Conference takes place June 26-28, 2012 in Billings. The June Board meeting will be in Billings on the 26th so Board members can participate in the Housing Conference. Registration for QAP workshop will be in May 7-8, 2012 in Butte.

Meeting adjourned at 3:35 p.m.

Jeffrey Rupp, Secretary

Date