ROLL CALL OF BOARD

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

STAFF:  Bruce Brensdal, Executive Director
Mary Bair, Multifamily Program
Vicki Bauer, Homeownership Program
Penny Cope, Public Relations
Paula Loving, Executive Assistant
Stacy Collette, Operations Manager
Kellie Guariliga, Multifamily Program
Angela Heffern, Finance Program
Bob Vanek, Multifamily Program

COUNSEL:  Greg Gould, Luxan and Murfitt

UNDERWRITERS:

OTHERS:  Alex Burkhalter, Housing Solutions
Patrick Klier, Summit
Andrea Davis, Homeword
Matt Jones, Homeword
Don Sterhan, Mountain Plains Equity Group
Fred Sterhan, Mountain Plains Equity Group
Adam Gratzer, Communities for Veterans
Heather McMilin, Homeword
CALL MEETING TO ORDER

Chairman Bruce Brensdal called the Montana Board of Housing (MBOH) Board meeting to Order at 8:38 a.m. Introductions were made. Chairman Crowley asked for any public comment not listed on the agenda.

MULTIFAMILY PROGRAM

Mary Bair presented to the Board a request from Freedoms Path which submitted an additional 2015 Tax Credit Allocation waiver request. Mary introduced Adam Gratzer, Veterans for Communities, who provided a brief history of the 2015 Housing Tax Credit application process and Freedoms Path’s additional request for a waiver. Freedoms Path did not submit the required Letter of Intent by the May deadline. Freedoms Path requested a waiver to this deadline at the June 2015 MBOH Board meeting and there was no motion for waiver of deadline. Since this time, this project has been awarded the Project Based Section 8 VASH program. This program was applied for by the Department of Commerce. Since receiving this award, these vouchers are limited to a deadline and thus, the necessity for a waiver for the Letter of Intent and the later submission of the Freedoms Path’s project for the 2015 Montana Tax Credits.

Andrea Davis, Homeword Inc., inquired on which entity was awarded the VASH vouchers; Montana Department of Commerce (MDOC) or Freedoms Path? Bruce Brensdal stated that MDOC submitted the application for the vouchers on behalf of the Fort Harrison project. The vouchers were awarded to MDOC; however, they are project specific to the Freedoms Path project. The stipulation of the award is to have ground breaking within 12 months of award which was August 6, 2014. If the Board does not allow for this waiver, Freedoms Path will need to look at other options such as extensions, reapply, and/or other funding.

Bob Gauthier inquired if there were any other resources available for this project, such as the MBOH 4% Bond program or working with the USDA. Bob stated even if the Board was to approve the waiver, the application would still need to compete with all other projects within the tax credit and there is no guarantee they would be awarded the credits. Bruce Brensdal stated he was not aware Freedoms Path’s business plans and referred to Freedoms Path for answers. Adam Gratzer stated there is not enough revenue to support the 4% Bond program. While Freedoms Path is willing to research this option more, the units need extensive rehabilitation and the 9% Tax Credits are the best option. Bruce asked if Freedoms Path did not have the Tax Credits, what would be the funding gap for the project. Adam stated while he didn’t have the specific details available, the gap would be approximately $3 million.

Bob Vanek, MBOH staff member and a military veteran, questioned why Freedoms Path did not meet the original deadline, especially when this project is so important. Adam Gratzer stated that MDOC did not decide until 11th hour that it would be able to submit a HUD VASH application. There was a bit of a timing issue. Bob stated even if there was a question on the VASH application but there was some type of intent, Freedoms Path could have always withdrawn their application if MDOC did not file the VASH vouchers.

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Pat Melby moved to approve the request for waiver of the Letter of Intent submission deadline and Bob Gauthier seconded the motion. Chairman Crowley asked for comments.

Sheila Rice sited the staff memo, bullet 10, which states “the entire Section 42 process requires a series of deadlines. If after the award, one of these deadlines is not met, the Credits may be lost and in some cases will be lost.” Sheila asked for clarification on “may” and “will” be lost and to the just the project or MBOH as well. Mary Bair stated there are several deadlines for the Tax Credits, including Reservation Agreements, Carryover requirements, 10% Cost Certification, and must provide 8609 submissions within six months after placed in service. Sheila clarified that when these Tax Credits are lost to a project, MBOH has the opportunity to reallocate these Tax Credits. Mary confirmed this statement.

Sheila Rice asked about term of the commitment of the VASH vouchers. Adam Gratzer stated the initial commitment is 15 years. Sheila inquired about the contribution of capital on the part of the Veterans Administration (VA). Adam Gratzer stated the VA is committed to 38 projects across the nation and they have set aside funding for all of these projects. The commitment for the Freedoms Path project is $300,000.

Doug Kaercher stated as outlined in item 4 of the memo, allowing for this waiver will result in the delay of the entire process. This process is expensive for each application and delaying the process isn’t fair for those projects who met the deadlines. Extending the process only increases costs and deadlines are created to limit the expense of this process.

Bob Gauthier agrees with Doug’s comments. Bob stated the relationships between MDOD and applicants have been well established and the deadlines were created with applicant input. It is clear the Board supports the veterans and as well as MDOD by the submission of the VASH voucher application. Adam Gratzer stated this is a timing issue and these vouchers are going to go away.

JP Crowley asked how long of a delay by allowing this waiver. Mary stated there are possibly a couple new projects which will consider submitting an application with this delay. Mary stated the Letter of Intent would take approximately a month and then additional six weeks for full application, resulting in Tax Credit awards in January 2015.

Bob Gauthier stated maybe work needs to done on defining the waiver process within the Qualified Allocation Plan to take into consideration things where an applicant is affected by an outside resource and funding such as the VASH vouchers. Bruce Brensdal stated he, on behalf of MDOD, submitted the VASH voucher application with no surprises. MDOD had fully intended to submit this application but the outcome would not have been known at the time of the Letter of Intent deadline.

A roll call vote was taken:

Bob Gauthier NO
Doug Kaercher NO
Ingrid Firemoon NO
Pat Melby        NO
Sheila Rice      YES
J.P. Crowley     NO

The motion to allow a waiver for the Freedoms Path to allow submittal of an application for the 2015 Tax Credit Allocation process did not pass.

Sheila Rice requested Staff to seek out the potential of a twelve-month VASH Voucher extension and/or the possibility to move vouchers to another project. Bruce Brensdal stated Staff will work with Freedoms Path.

Mary Bair brought to the Board a request by Homeword for the Southern Lights project. This request would include a construction loan for $500,000. Mary introduced Andrea Davis and Matt Jones, Homeword, who provided an update on the project. Mediation was conducted on July 30, 2014, which resulted in no settlement. Southern Lights was built in 2007. Building One is a four story building with 14 units. The mold issue continues to grow with the water issues and the warming weather. Homeword requested funds from Neighborworks as well and is contributing its own funds, along with Enterprises as this request from MBOH. Building Two has not received the same amount of damaged as Building One. Mold spores are not increasing in Building Two at this time and due to the time and resources, Building Two will be rehabilitated in 2015.

Sheila Rice asked about the repayment of this loan. Andrea Davis stated the primary source is settlement funds. Andreas stated that if a settlement is not favorable, Southern Lights submitted a Letter of Intent for Tax Credits. Mary Bair stated the proposal includes collateral for repayment.

Pat Melby moved to approve the MBOH loan in the amount of $500,000, taking into consideration of successful underwriting. Doug Kaercher seconded the motion.

A Roll Call was taken:
Bob Gauthier      YES
Doug Kaercher     YES
Ingrid Firemoon   YES
Pat Melby         YES
Sheila Rice       YES
J.P. Crowley      YES

Motion passes unanimously.

EXECUTIVE DIRECTOR UPDATE
Meeting adjourned at 9:23 a.m.

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Sheila Rice, Secretary

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Date

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