

HOUSING DIVISION – MONTANA BOARD OF HOUSING

301 S. Park Avenue, Room 240 and via Webinar – Helena Montana 59601
March 14, 2016

ROLL CALL OF BOARD

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

STAFF: Bruce Brensdal, Executive Director
Ginger Pfankuch, Accounting & Finance Manager
Vicki Bauer, Homeownership Program
Mary Bair, Multifamily Program
Stacy Collette, Operations Manager
Penny Cope, Marketing and Public Relations
Mary Palkovich, Servicing Program
Paula Loving, Executive Assistant
Kellie Guariglia, Multifamily Program
Jeannene Maas, Homeownership Program

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

UNDERWRITERS: Mina Choo, RBC Capital

OTHERS: Alex Burkhalter
Andrea Davis
Heather McMilin
John Firehammer
Kevin Thanos
Logan Anderson
Liz Mogstad
Amy Fitzpatrick
Brian Barns

These written minutes, together with the audio recordings of this meeting, constitute the official minutes of the referenced meeting of the Montana Board of Housing (MBOH). References in these written minutes to tapes (e.g., Tape 1 – 4:34) refer to the location in the audio recordings of the meeting where the discussed occurred. The audio recordings of the MBOH meeting of this date are hereby incorporated by reference and made a part of these minutes. The referenced audio recordings are available on the MBOH website at [Meetings and Minutes](#).

CALL MEETING TO ORDER

Chairman JP Crowley called the Montana Board of Housing (MBOH) meeting to order at 9:05 a.m. (0:00). Chairman asked for any public comment not on the agenda (2:00).

APPROVAL OF MINUTES

Doug Kaercher stated the January 19, 2016 MBOH Board meeting minutes reflect that he was not present at the meeting. Doug was in attendance via webinar. (2:20). Sheila Rice moved to approve the January 19, 2016 MBOH Board meeting minutes with the change of Doug's presence and Doug Kaercher seconded the motion (2:50). Chairman Crowley asked for comments. A roll call vote was taken:

Doug Kaercher: Yes
Jeanette McKee: Yes
Pat Melby: Yes
Sheila Rice: Yes
J.P. Crowley: Yes

The January 19, 2016 MBOH Board minutes were approved unanimously.

FINANCE PROGRAM

There was no Finance Program update.

HOMEOWNERSHIP PROGRAM

Vicki Bauer brought to the Board the wind and hail minimum deductible policy change. (4:10) In October of 2012 the Board changed the hazard insurance requirement from \$1,000 to the greater of \$1,000 or 1% for all perils. With wind and hail storms in eastern Montana over the past two years, we have heard from our lenders that our deductible requirements are getting harder to find. Vicki called several companies and agents and found that people can get insurance that meets our requirements, but some companies have changed their wind and hail minimum deductible to \$1,500 making it more difficult and more expensive to get insurance that meets our requirements. This is more of an issue in eastern Montana. Vicki also polled other neighboring states and their requirements which includes; Wyoming and South Dakota - \$1,000 or 1%; North Dakota - \$1,500 or 1%, wind and hail \$2,500 or 1%; Idaho – lesser of \$2,500 or 2%. Doug Kaercher inquired if deductible was the greater of the two dollar amounts (7:03). Vicki confirmed the deductible was the greater amount.

Doug Kaercher moved to change the Hazard Insurance Deductible Requirement to \$1,500 or 1% for all perils and Jeanette McKee seconded the motion. (7:24). Chairman Crowley asked for comments. Pat Melby requested it be clarified that the deductible is the greater amount. Doug Kaercher moved to amend original motion to include the greater of the two amounts and Jeanette McKee seconded the motion. (8:07) A roll call vote was taken (8:28):

Doug Kaercher: Yes
Jeanette McKee: Yes
Pat Melby: Yes

Sheila Rice: Yes
J.P. Crowley: Yes

The Hazard Insurance Deductible Requirement increase to \$1,500 or 1% of all perils, whichever is greater, was approved unanimously.

MULTIFAMILY PROGRAM

Mary Bair brought to the Board the Draft 2017 Qualified Allocation Plan. (9:00) Bruce Brensdaal provided a review of the process that will be used to review changes to the Qualified Allocation Plan. Every state Housing Credit allocating agency is required by Section 42 to have a Qualified Allocation Plan (QAP). The Housing Credits are awarded once a year. The QAP is the rulebook for the Housing Credit Program for the year. Pat Melby moved to approve the 2017 Qualified Allocation Plan with suggested Staff's amendments to be placed for public comment and Jeanette McKee seconded the motion. (14:47)

Mary Bair reviewed the significant changes to the 2017 Qualified Allocation Plan. The page numbers are referenced to Attachment I – 2017 Draft Qualified Allocation Plan. (15:57)

Several redline changes are clarification and are not listed on this document. The highlighted changes are listed below and are considered significant changes

- *Table of contents, page iv. Exhibits are being changed to forms, will be outside the QAP, and available on the website. (16:35)*
- *Definitions page 3 (17:38)*
 - *Added Common Space – put in definition*
 - *Cost per Square foot – changed total project costs to Hard Costs*
 - *Cost per unit – changed total project costs to Hard Costs*

Sheila Rice asked for staff's rationale on the change from total project to hard cost. (18:49) Sheila Rice made a motion to include a cost per square foot and square unit for hard costs and a cost per square foot and square unit for total project. (23:18) After further discussion, Sheila Rice withdrew the motion (26:21)

- *Page 4 (26:27)*
 - *Added Forms - put in definition*
- *Page 5 (27:10)*
 - *Hard cost - definition changed*
 - *Land or Property control - definition expanded*
- *Page 6 (30:05)*
 - *Project Square Footage – expanded definition*
 - *Qualified Management Company – definition expanded*
- *Page 7 (31:12)*
 - *Small Project - changed from 24 to 20 units or fewer*
 - *Small Rural Project – added project with 20 units or fewer*
 - *Soft costs – expanded definition*
 - *Soft-Cost-to-Hard-Cost Ratio – added land value to calculation*
 - *Added Substantial Change – put in definition*
- *Page 12 & 13 (34:02)*
 - *Eligible Applicants – added language - delinquent late fees make an applicant ineligible*

- *Tax Credit Proceeds, paragraph 2 – adding late fee for delinquent submission of agreement*
- *Page 13 & 14 (35:20)*
 - *Cost Per Unit/Cost Per Square Foot, 4th paragraph – changed amount to \$175,000 and added must meet maximum requirements at application, 10% and 8609*

Sheila Rice moved to amend the Cost Per Unit/Cost Per Square Foot to include a maximum of \$230,000 total development cost and Pat Melby seconded the motion. (38:40) Chairman Crowley asked for public comments. A roll call vote was taken (40:39):

Doug Kaercher: Yes
 Jeanette McKee: Yes
 Pat Melby: Yes
 Sheila Rice: Yes
 J.P. Crowley: Yes

The Cost Per Unit/Cost Per Square Foot, page 13 & 14 – paragraph 4, was approved unanimously to include the “maximum of \$230,000 total development cost”.

- *Page 15 (41:05)*
 - *Debt Cover Ratio – changed Debt Coverage Ratio and expounded on language*
- *Page 16 (42:00)*
 - *Replacement Reserves – Changed amount to the same for all types of projects.*
 - *Additional Underwriting Assumptions – added underwriting assumptions to be used by applicants and board staff in underwriting*

Sheila Rice moved to remove the “until the replacement reserve equals at \$1,000.00 per unit” from Placement Reserves, page 16 – first sentence and Jeanette McKee seconded the motion (38:40) Chairman Crowley asked for public comments. A roll call vote was taken (44:18):

Doug Kaercher: Yes
 Jeanette McKee: Yes
 Pat Melby: Yes
 Sheila Rice: Yes
 J.P. Crowley: Yes

The “until the replacement reserve equals at \$1,000.00 per unit” from Placement Reserves, page 16 – first sentence, was approved unanimously.

- *Page 20 (50:00)*
 - *130% Basis Boost – additional clarification language*
- *Page 21 (50:39)*
 - *Information Request and Release Policy is to be moved to the website*
- *Page 23 (51:07)*
 - *Ex Parte Communication Policy is being moved to the website*
- *Page 24 (52:08)*
 - *Deleted First Allocation Round (current process)*
 - *Added First Award Round – Invitation to apply*
- *Page 25 (53:23)*

- *Board Consideration and Determination Process – Added language for Invitation to apply*
- *Page 25 & 26 (53:23)*
 - *4% Credit Applications for Tax Exempt Bond Financed Projects, hi-lighted language – adding must submit application at least 6 weeks before board meeting and stating the fees that are due.*
- *Page 26 (1:02:20)*
 - *Application Submission Method for 4% and 9% Credit Applications – adding language about changing or adding folders in the electronic submission process*
 - *Section 5 – Fee Schedule – Letter of Intent – Raising Letter of Intent fee to \$1500.00*
- *Page 28 (1:02:40)*
 - *Maximum Credit Award – adding language to give discretion to award outside competitive cycle*
- *Page 29 (1:04:03)*
 - *Small Rural Projects – added 20 or fewer units*
- *Page 30 (1:06:49)*
 - *Application – must submit Letter of Intent and be invited to apply to submit application*
 - *used by applicants and board staff in underwriting*

Sheila Rice inquired about requiring an analysis on rehab projects on why the project didn't meet the 4% credit applications. (1:07:28) Pat Melby moved to include special requirements for rehab projects to include a 4% credit analysis at the time of Letter of Intent. (1:09:35) There was no second to the motion.

- *Page 31 (1:11:38)*
 - *Threshold Requirements*
 - *Forms are referenced on the website*
 - *13. Clarified CMA/Appraisal required on ALL applications*
 - *17. Expanding Non Profit language*
 - *18. Expanding Property Tax Exemption language*
 - *25. Additional language for Narrative*
- *Page 36 (1:14:48)*
 - *Development Evaluation Criteria and Scoring*
 - *Total score available has been raised*
 - *2. Lower Income Tenants - Additional points available for targeting more 40% units than needed for 20 points*
 - *4. Community Input – Changed to points per item*
 - *4. Appropriate Size and Development Type – Added required reference to market study*
 - *5. Preservation or Increase of Housing Stock – Increased available points*
 - *5. Amenities – adjusted score to by item instead of every 3 items*
 - *6. Development Team Characteristics, 2nd paragraph – Clarified the education requirements*
 - *7. Participation of Local Entity, 1st paragraph – Increased available points*
 - *3rd paragraph – clarification of formal agreement language*
 - *8. Tenant Populations with Special Housing Needs – Additional language added*
 - *9. Percentage of Credits Funding Total Project Cost – NEW SCORING CATEGORY*
 - *10. Developer Knowledge and Responsiveness – Separated by categories and added additional Language*

- *Page 49 (1:24:17)*
 - *10% Test – changed deadline language to allow additional time to meet and complete*
- *Page 50 (1:25:48)*
 - *Final Allocation/8609 – Additional Fee language*
- *Page 52 (1:27:27)*
 - *Changes to Project or Application – Bulleted language moved to definition of substantial change and clarification of substantial change requirements and process*
- *Page 53 (1:27:27)*
 - *Compliance Fees – Clarification - Fees refers to Complete Annual Compliance Package not just the Owners Certification Form*
- *Page 54 (1:28:00)*
 - *Ownership/Management Changes – implementing a fee if MBOH is not notified of changes*
- *Page 55 (1:28:10)*
 - *Education Requirements – Training requirements must be met to maintain Qualified Management Company Status*
- *Page 59 (1:28:22)*
 - *Deletion of Exhibits – Change to Forms available on the website*

Chairman Crowley asked for any additional comments from the Board. (1:28:50)
Jeanette McKee provided comment

Chairman Crowley asked for any additional comments from the public. (1:30:30)
Kevin Thane, Heather McMilin and Andrea Davis provided comment.

Chairman Crowley restated the original motion to approve the 2017 Qualified Allocation Plan with suggested Staff's amendments, which included approved Board amendments, to be placed for public comment. A roll call vote was taken (1:36:47):

Doug Kaercher:	Yes
Jeanette McKee:	Yes
Pat Melby:	Yes
Sheila Rice:	Yes
J.P. Crowley:	Yes

The 2017 Qualified Allocation Plan was approved unanimously for public comment placement. Bruce Brensdaal stated the Public Comment Hearing will be on February 17, 2016 and the public comment deadline is March 11, 2016

EXECUTIVE DIRECTOR UPDATE

Meeting adjourned at 10:46 a.m. (1:39:05)

Sheila Rice, Secretary

Date