The Board of Housing’s mission is to create affordable housing opportunities for Montanans whose needs are not met by the market. We value people, families, communities, fairness, teamwork, mutual respect, integrity. We are committed and passionate about collaborating with our partners to make sure Montana’s families and communities have attainable, affordable, accessible and sustainable homes.

AGENDA ITEMS
Public Comments - Public comment is welcome on any public matter that is not on the agenda and that is within the jurisdiction of the agency. Please sign in on our attendance sheet.

Minutes
☑ Approve Prior Board Meeting Minutes

Multifamily Program (Manager: Mary Bair)
☑ Exception to Carryover Requirements for Housing Credits

Miscellaneous
Meeting Adjourns

*All agenda items are subject to Board action after public comment requirements are fulfilled.

*We make every effort to hold our meetings at fully accessible facilities. Any person needing reasonable accommodation must notify the Housing Division at (406) 841-2840 or TDD (406) 841-2702 before the scheduled meeting to allow for arrangements.

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Thank you for attending this public meeting and for your support of affordable housing.

Date: Monday, November 14, 2016

Time: 8:30 a.m.

Chairperson: JP Crowley

Meeting Location: Conference Call Only

Dial (877) 273-4202
Access Code: 7233056#

Board Offices:
301 S Park Ave., Room 240
Helena MT 59601
(406) 841-2840
ROLL CALL OF BOARD

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

STAFF:  Bruce Brensdal, Executive Director
            Vicki Bauer, Homeownership Program
            Mary Palkovich, Loan Servicing Manager
            Mary Bair, Multifamily Program
            Stacy Collette, Operations Manager
            Penny Cope, Marketing
            Todd Jackson, Marketing
            Paula Loving, Executive Assistant
            Kellie Guariglia, Multifamily Program
            Jeannene Maas, Homeownership Program
            Cindy Maxwell, Administrative Assistant

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

UNDERWRITERS:  Mina Choo, RBC Capital
            Patrick Zhang, RBC Capital

OTHERS:  Kelsen Young, MCADSV
            Neil Fortier, NeighborWorks – Rockcress
            Heather Greinier, HRDC
            Chancy Kittson, Blackfeet Housing
            Jon Phillips, YWCA Billings
            Seana Rau, MPEG
            Merry Lee Olson, YWCA Billings – Gateway Vista
            Robin Hanel, City of Billings
            Alex Burkharter, Housing Solutions
            Tom Mannschreck, Thomas Development
            Gary MacDonald, Roosevelt County
            Vermae Taylor
            Peggy Trenk, MT Housing Coalition
            Beki Brandborg, GL Development
            Tyson O’Connell, WishRock Housing
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 J.P. Crowley called the Montana Board of Housing (MBOH) meeting to order at 10:07 a.m. (10:15). Introductions were made. Chairman Crowley asked for any public comment that is not listed on the agenda. Bruce Brensdal reviewed the webinar instructions and meeting housekeeping details (16:02).

APPROVAL OF MINUTES
Sheila Rice moved to approve the August 15, 2016 MBOH Board meeting minutes and Bob Gauthier seconded the motion (18:33). Chairman Crowley asked for comments. Bruce Brensdal stated on page 7 – third paragraph of the Board minutes, Bob Gauthier seconded the motion. In addition, clarification of the project is Roosevelt Villas. The amended August 15, 2016 MBOH Board minutes were approved unanimously.

MULTIFAMILY PROGRAM
Mary Bair brought to the Board the 2017 Housing Credit applications (20:00). Sheila Rice recused herself from the Board during the 2017 Housing Credit application process due to conflict of interest (21:05).

Roosevelt Villas, Wolf Point-Culbertson – Acquisition/Rehabilitation, 16 family units – Developer is GL Development. Mary Bair described any changes for this project from the Letter of Intent (24:10). Chairman Crowley asked for public comment (26:46). Gary McDonald, mayor of Wolf Point provided public comment (27:48). Vermae Taylor provided public comment (30:31). Chris DeShaw provided public comment (32:30).

Polson Landing, Polson – New Construction, 35 family units - Developer is Housing Solutions. Mary Bair described any changes for this project from the Letter of Intent
(36:28). Chairman Crowley asked for public comment (37:45). Alex Burkhalter provided comment (38:10).

The Meadows Senior Apartments, Lewistown – Acquisition/Rehabilitation, 35 senior units - Developer is Homeword, Inc. and Thies & Talle. Mary Bair described any changes for this project from the Letter of Intent (38:43). Chairman Crowley asked for public comment (39:56). Heather McMilin provided comment (40:08).

Gateway Vista, Billings – New Construction, 16 senior units - Developer is Billings YWCA and CR Builders. Mary Bair described any changes for this project from the Letter of Intent (43:10). Chairman Crowley asked for public comment (44:12). Tom Hanel provided public comment (44:51). Kelsen Young provided public comment (50:50). Stephanie Baucus provided public comment (53:59). Robin Hanel provided public comment (58:17).

Aspen Place III, Butte – New Construction, 32 family units – Developer is Thomas Development and Butte Affordable Housing. Mary Bair described any changes for this project from the Letter of Intent (1:00:10). Chairman Crowley asked for public comment (1:00:55). Thomas Mannschreck provided public comment (1:01:05).

Livingston Memorial Hospital, Livingston – New Construction, 32 family units - Developer is Homeword. Mary Bair described any changes for this project from the Letter of Intent (1:03:52). Chairman Crowley asked for public comment (1:04:38). Heather McMilin provided public comment (1:04:53).

Blackfeet Homes VI, Browning – New Construction, 30 family units - Developer is Blackfeet Housing and Travois. Mary Bair described any changes for this project from the Letter of Intent (1:09:57). Chairman Crowley asked for public comment (1:10:52). Chancy Kittson provided public comment (1:11:09).


Mary Bair and Bruce Brensdal reviewed the Project data spreadsheet provided to the Board (1:23:43).

Mary Bair brought to the Board the Vista Villas No. 16-1017-MF02 (1:56:15). The bonds will have a short maturity (probably 14 months) with the proceeds to be used to provide construction financing and the project will qualify for 4% LIHTCs; permanent financing will be provided by a separate FHA insured loan made by Prudential Mortgage. At all times the bonds will be secured by a pledge of a collateral account containing cash equal to the amount of the bonds. The bond sale proceeds will be initially deposited in the collateral account; as moneys are needed for construction the developer will make draws on the bond proceeds moneys. At the same time an advance will be made on the FHA loan by Prudential in the same amount, and the amount of the FHA loan advance will be deposited with the bond trustee simultaneously with the advance of the bond proceeds. So at all times, between the un-advanced bond proceeds
and the FHA loan advances deposited with the bond trustee, the bond trustee will always hold cash equal to the amount of the bonds in the collateral account. Upon completion of construction the bond trustee will use the cash it holds to pay off the bonds. Costs of issuing the bonds will be paid by the developer/borrower from other funds. The bonds should be rated in the highest rating category for short-term debt.

Sheila Rice stated for the record that she had a conflict of interest regarding this project and will not be voting (1:59:42). Pat Melby moved to approve Resolution No. 16-1017-MF02 and Doug Kaercher seconded the motion (1:59:57). Chairman Crowley asked for comments (2:01:17). John Wagner stated the “Wells Fargo as Trustee” needs to be replaced with “US Bank as Trustee” Pat Melby and Doug Kaercher amended the motion with this change (2:00:44).

A Roll call vote was taken:

Jeanette McKee: Yes
Pat Melby: Yes
Bob Gauthier: Yes
JP Crowley: Yes

The Vista Villas Resolution No. 16-1017-MF02 was approved unanimously.

Mary Bair brought to the Board the Big Sky Manor Inducement Resolution No. 16-1017-MF04 (2:04:00). Bob Gauthier moved to approve the Big Sky Manor Resolution No. 16-1017-MF03 and Jeanette McKee seconded the motion (2:05:11). Chairman Crowley asked for comments (2:05:24).

A Roll call vote was taken:

Jeanette McKee: Yes
Pat Melby: Yes
Bob Gauthier: Yes
Sheila Rice: Yes
JP Crowley: Yes

The Big Sky Manor Inducement Resolution No. 16-1017-MF03 was approved unanimously.

Mary Bair brought to the Board the Big Sky Manor Resolution No. 16-1017-MF04 (2:06:20). Pat Melby moved to approve the Big Sky Manor Inducement Resolution No. 16-1017-MF03 and Jeanette McKee seconded the motion (2:07:30). Chairman Crowley asked for comments (2:07:44).

A Roll call vote was taken:

Jeanette McKee: Yes
Pat Melby: Yes
Bob Gauthier: Yes
Sheila Rice: Yes
JP Crowley: Yes

The Big Sky Manor Resolution No. 16-1017-MF04 was approved unanimously.

Mary Bair provided the Multifamily update (2:08:45).
FINANCE PROGRAM

Bruce Brensdal provided the Board with the Finance update (2:15:20). At the end of August 2016 we had 49.2% of our investments in Money Market accounts of which $16.8 million was in the 2016 Acquisition Accounts for purchases of Mortgages. Another 34.7% was in Federal Home Loan Bank Discount notes with relatively short maturities in order to have them available for debt service at the end of the year. The remainder of the investments are in a variety of investments with maturities stretching to 23 years and yields from 0.04 to 6.46%.

HOMEOWNERSHIP PROGRAM

Vicki Bauer presented Acceptance Capital Mortgage Corporation for Lender Approval (2:17:32). Acceptance Capital Mortgage Corporation and Subsidiaries was incorporated under the laws of the State of Washington in 2002, and the maintain offices throughout the United States. Their Montana lending location is in Billings. Acceptance Capital Mortgage Corporation is interested in participating in the Board’s MCC program. They are approved to underwrite FHA, RD and VA Loans and they will sell servicing to MBOH. Bob Gauthier moved to approve Acceptance Capital Mortgage Corporation as a participating lender and Pat Melby seconded the motion (2:19:24). Chairman Crowley asked for comments (2:19:30). Acceptance Capital Mortgage Corporation was approved unanimously to be a participating lender.

Vicki Bauer brought to the Board the setaside approval for Community Action Partnership of Northwest Montana (2:20:07). Northwest Montana (CAPNM) for low income buyers (at 80% AMI or less) of homes purchased and rehabilitated with Neighborhood Stabilization Program funds. They sell homes to individuals and families that are placed in the Northwest Montana Community Land Trust, Inc. (NWMTCLT) at 50% or below AMI up to and including 120% of AMI. There have been 29 out of 46 homebuyers that fell at or under 80% of AMI in the last five years. The interest rates of this program, presently at 3-1/8%, would be very beneficial to the homebuyers even in comparison to 3-1/4% for a Rural Development (RD) Guaranteed Loan.

Jeanette McKee moved to approve the setaside to add the Northwest Montana Community Land Trust, Inc. to Down Payment 1st Mortgage setaside pool and Pat Melby seconded the motion (2:23:00). Chairman Crowley asked for comments (2:23:07). The setaside was approved unanimously.

Vicki Bauer brought to the Board the Down Payment Assistance Program Pilot (2:23:25). Currently the Board of Housing offers a Down Payment Assistance Program that is a 15 year amortizing loan that the interest rate is determined by the borrower’s credit score. We have provided this assistance on about 10% of our production. Recently at the NCSHA conference, it was found that number of other state HFA’s provide down payment assistance in the form of a grant or deferred loan with a 0% interest rate, these down payment programs have helped states increase production in their programs and accomplish their mission assisting low to moderate income homebuyers. Interest rates have remained low and borrowers are refinancing their Board loans at a rate the new loan volume has not been able make up for. The Board’s portfolio continues to run off, though at a much slower rate than before.
Pat Melby moved to approve the allocation of $1 million of Special Reserve funds for the Down Payment Assistance Program Pilot, and Sheila Rice seconded the motion (2:28:17). Chairman Crowley asked for comments (2:28:50). The Down Payment Assistance Program Pilot was approved unanimously.

Vick Bauer provided the Board with the Homeownership Program update (2:29:00).

**LOAN SERVICING PROGRAM**

Mary Palkovich provided the Board with the Loan Servicing update (2:33:03). The servicing portfolio is 4,657 loans. Foreclosure loans for 2016 are 22 loans. Servicing staff received 84 payments by phone this last month. Staff has started a Loan Servicing Newsletter in September.

**EXECUTIVE DIRECTOR UPDATE**

Stacy Collette provided the Operations update (2:38:20). The RFP for the MBOH trustee is on the website. The Strategic planning will be held in March 2017.

Bruce Brensdal mentioned the next Board meeting is scheduled for December 2016 for the MBOH Trustee decision (2:40:50).

Penny Cope reminded the Board of Rotunda Day on January 5, 2017 (2:42:06). Discussion took place regarding contacts of Housing (2:42:37)

Meeting adjourned at 12:45 p.m.

____________________
Sheila Rice, Secretary

____________________
Date
BOARD AGENDA ITEM

PROGRAM
Multifamily Program

AGENDA ITEM
 Carryover Commitment December 1, 2016 Extension

BACKGROUND
For 2016 Housing Credit Projects not placed in service by 12/31/2016, a carryover commitment is necessary to provide the Projects additional time to complete and place the Projects in service. Under the QAP, Projects must submit certain ownership information by December 1, 2016 to obtain a carryover commitment. A significant number of 2016 Projects will likely be unable to meet this requirement due to circumstances beyond their control. An extension of the deadline is necessary to allow these projects to retain their credits for the additional time necessary (up to 2 years beyond 12/31/2016) to complete and place the Projects in service. The background and basis for the proposed extension is described in more detailed in the Legal Memorandum included in the Board’s packet.

PROPOSAL
Staff requests the Board consider an extension for the 2016 Projects to submit required documentation of Proof of Ownership prior to the Project’s 10% Cost Certification deadline with MBOH issuing carryover contingent upon receipt of the required documentation.
This memorandum is provided to assist the Board in its consideration of the staff proposal to waive certain QAP requirements in order to permit 2016 projects to obtain carryover commitments by December 31, 2016.

In the 2016 Allocation round, the Board awarded Housing Credits to 6 Projects (see list below at end of memo). One of those Projects, Cascade Ridge II, has already completed and submitted its Form 8609s. The remaining projects will not be completed or placed in service within 2016 and therefore require a carryover commitment from MBOH to continue and carryover the 2016 credits to allow completion of the Projects. A carryover commitment allows the Owners an additional 2 year period to complete and place the projects in service.

The 2017 QAP provides that MBOH will issue a Carryover Commitment in December and before the end of the year for which the credits are being awarded. To preserve such a carryover commitment, the Owner/Developer must then submit the 10% Cost Certification by the first anniversary of the date on which MBOH executed the Reservation Agreement.

The QAP provides that in order to receive a Carryover Commitment, Owners must provide to MBOH:

(i) Proof of Ownership (evidence of title or right to possession and use of the property for the duration of the Compliance Period and any Extended Use Period plus one year, e.g., a recorded deed or an executed lease agreement for a period at least one year longer than the Restrictive Covenant period);

(ii) executed and recorded Restrictive Covenants; and

(iii) the Reservation fee.

The QAP provides that these items must be received by MBOH by December 1 of the year for which the Award of Credits was made, i.e., by December 1, 2016 for 2016 credit awards.

Several Acquisition/Rehab Projects awarded 2016 Housing Credits involve acquisition agreements with prior owners under which closing is contingent upon Rural Development (RD)
approval of the property transfers. The new Project Owners do not and will not have title or other proof of ownership and will be unable to record Restrictive Covenants on the properties until RD approves the property transfers. Although MBOH staff is advised that the Owners of the Projects have submitted all required documentation, RD has not approved and is unlikely to approve the property transfers by December 1. Therefore, the Owners of these Projects will be unable to close the acquisition deals and obtain the required proof of ownership in time to submit the required carryover documentation to MBOH by the December 1 deadline.

In addition, the Freedom’s Path Project is unable to obtain its long term VA lease until it closes with its tax credit investor, but the closing is delayed pending the award of Historic Tax Credits being sought for the project. Therefore, the Owner of this Project will also be unable to meet the carryover submission deadline.

If the 2016 Projects do not receive carryover commitments, the Projects will lose their tax credits and be unable to move forward to completion, resulting in the loss or at least the substantial delay of the affordable housing units that would otherwise be provided by these Projects.

MBOH staff recommends that the Board waive the requirement for all Projects awarded 2016 Housing Credits for submission of Proof of Ownership and Restrictive Covenants by December 1. The requirement for submission of the Reservation fee by December 1, 2016 would not be waived. Upon timely receipt of the required Reservation fee, MBOH would issue the Project a Carryover Commitment, conditioned upon the usual requirements (e.g., timely submission of 10% Cost Certification) and further conditioned upon the Owner’s submission of the Proof of Ownership and Restrictive Covenants no later than the first anniversary of the date on which MBOH executed the Reservation Agreement (i.e., the 10% Cost Certification deadline).

Section 4 of the 2016 QAP provides that MBOH Board, in its discretion, may waive any requirement of the QAP if it determines such waiver to be in the best interests of MBOH, the HC program or the application cycle. I have also confirmed with Kutak Rock that IRC Code Section 42 (the low income housing tax credit statute) allows the Board sufficient flexibility to set its own requirements for purposes of the carryover. Nothing in the Code requires that the recipient of a carryover allocation actually own the land on which the project is to be constructed/rehabilitated. Therefore, if the Board waives the requirements as provided in the 2017 QAP, there would be no federal issue as to whether the corresponding 2016 carryover allocation is valid. Of course, the Proof of Ownership and Restrictive Covenants will have to be submitted and the 10% Test will have to be met by the 10% Cost Certification deadline, which will help to ensure that the Project is progressing in an acceptable manner.
If the Board determines that waiver of the specified requirements is in the best interests of MBOH, the HC program or the application cycle, I recommend that the requirement be waived for all Projects awarded 2016 Housing Credits. I have attached a proposed Motion for the Board’s consideration. I will be available during the Board meeting to answer any further questions you may have.

**MBOH Housing Non-Contingent Credit Awards – 2016**

*January 19, 2016*

<table>
<thead>
<tr>
<th>#</th>
<th>Project Name</th>
<th>Amount</th>
<th>Type</th>
<th>Category</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Big Sky Villas (Belgrade)</td>
<td>$2,680,000</td>
<td>Nonprofit/Small Rural</td>
<td>Acq/Rehab</td>
<td>Fam</td>
</tr>
<tr>
<td>2</td>
<td>Little Jon (Bigfork)</td>
<td>$2,625,390</td>
<td>Nonprofit/Small Rural</td>
<td>Acq/Rehab</td>
<td>Fam</td>
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<tr>
<td>3</td>
<td>Cascade Ridge II (Great Falls)</td>
<td>$319,730</td>
<td>Nonprofit/General</td>
<td>NC</td>
<td>Eld</td>
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<tr>
<td>4</td>
<td>Valley Villas (Hamilton)</td>
<td>$5,603,920</td>
<td>For profit/General</td>
<td>Acq/Rehab</td>
<td>Fam</td>
</tr>
<tr>
<td>5</td>
<td>Freedoms Path (Ft. Harrison)</td>
<td>$6,704,660</td>
<td>For profit/General</td>
<td>Acq/Rehab</td>
<td>Fam</td>
</tr>
<tr>
<td>6</td>
<td>Red Fox (Billings)</td>
<td>$3,395,880</td>
<td>For profit/General</td>
<td>NC</td>
<td>Fam</td>
</tr>
</tbody>
</table>
MOTION

Moved that the Board hereby finds, determines and resolves:

1. That a significant number of Projects awarded 2016 Housing Credits will be unable, for reasons beyond their respective Owners’ control, to obtain and submit the Proof of Ownership and executed and recorded Restrictive Covenants by December 1, 2016, as required by the 2017 QAP to obtain a Carryover Commitment.

2. That absent action by the Board to effectively extend such submission deadline by waiving the QAP requirements for such submission, such Projects would lose their tax credits and be unable to move forward to completion, resulting in the loss or at least the substantial delay of the affordable housing units that would otherwise be provided by these Projects.

3. Section 4 of the 2017 QAP provides that the Board, in its discretion, may waive any requirement of the QAP if it determines such waiver to be in the best interests of MBOH, the HC program or the application cycle (2017 QAP, Section 4, pp. 22-23);

4. Waiver of the requirement to obtain and submit the Proof of Ownership and executed and recorded Restrictive Covenants by December 1, 2016, as required by the 2017 QAP, Section 10, pp. 44-45, to obtain a Carryover Commitment, is in the best interests of the MBOH, the HC program and the application cycle.

5. The Board hereby waives, for all Projects awarded 2016 Housing Credits, the requirement in the 2017 QAP, Section 10, pp. 44-45, for submission of Proof of Ownership and executed and recorded Restrictive Covenants by December 1, 2016. The requirement for submission of the Reservation fee by December 1, 2016, however, is not waived. Upon timely MBOH receipt of the required Reservation fee on or before December 1, 2016 at 5:00 p.m. and compliance with any additional requirements not waived herein by the Board, MBOH shall issue the Project a Carryover Commitment, conditioned upon the usual requirements (e.g., timely submission of 10% Cost Certification) and further conditioned upon the Owner’s submission of the Proof of Ownership and Restrictive Covenants as provided in the 2017 QAP no later than the first anniversary of the date on which MBOH executed the Reservation Agreement (i.e., the 10% Cost Certification deadline).

6. This Board resolution shall not be deemed to waive any requirement or provision of the 2017 QAP except as specifically provided herein.

DATED this 14th Day of November 2016.