

ADMINISTRATION AND FINANCE COMMITTEE
CITY COUNCIL CHAMBERS
140 WEST PINE STREET
MISSOULA MONTANA
December 8, 2010, 1:05pm

Members present: Stacy Rye, Chair; Ed Childers; Renee Mitchell; Pam Walzer; Dick Haines; Lyn Hellegaard; Roy Houseman; Dave Strohmaier; Jon Wilkins; Bob Jaffe.

Members absent: Jason Wiener.

Others present: Lori Davidson, Keithi Worthington, Jamie Hoffman, Brentt Ramharter, Dee Andersen.

I. Administrative Business

A. Approve committee minutes dated: December 1, 2010-approved as submitted.

B. Public Comment on items not listed on the agenda-None

II. Consent Agenda

A. Approve claims (accounts payable). -Consent Agenda (Brentt Ramharter)

MOTION: The committee recommends the City Council approve claims totaling \$522,935.55 (Detailed claims)

B. Authorize the Mayor to release the Trust Indenture placed on the Palace Apartments, dated March 23, 1995, to facilitate the rehabilitation and preservation of affordable housing in a Downtown Missoula historic building. (memo)—Regular Agenda (Lori Davidson) (Referred to committee: 12/06/10) **REMOVE FROM AGENDA**

MOTION: The committee recommends the City Council authorize the Mayor to release the Trust Indenture placed on the Palace Apartments dated March 23, 1995, to facilitate the rehabilitation preservation of affordable housing in a Downtown Missoula historic building.

Lori Davidson, Executive Director, Missoula Housing Authority, explained that this trust indenture was placed on the Palace Apartments when the MRA did the initial remodel taking it from a hotel to affordable housing. This was the first project in the state to use tax increment financing. The Trust Indenture states “The primary purpose of this Deed of Trust is to protect the repayment of all amounts advanced by MRA to the project.

At the time, the Trust Indenture was subordinate to the mortgage loan. Ellen Buchanan, MRA Director, has found that the loan was fully repaid to the agency many years ago and said there is no reason to keep that Trust Indenture in place. The Trust Indenture was discovered on 9/26/09 the day of closing for the purchase of the Palace by MHA. Releasing the Trust Indenture is a major step in remodeling 60 units of critical affordable housing in this historic structure.

Mr. Jaffe asked for more clarity on the Trust Indenture, he asked if it is a lien.

Keithi Worthington, Deputy City Attorney, said it appears as a second mortgage or lien on the property. Originally there was some concern that if they gave this money the project would become a non-profit and they wouldn't get the money back.

Jon Wilkins said it's unfortunate that they didn't take it off then when the loan was paid back. He moved the motion to authorize the Mayor to release the Trust Indenture placed on the Palace Apartments.

Ed Childers supported the motion and requested a document from MRA that would state this loan has been paid off.

Ms. Worthington said she could arrange that.

Mr. Haines asked if the district is still generating taxes in this district.

Ms. Davidson said no, it's gone.

Renee Mitchell said so, if the loan has been repaid and this Trust Indenture fell through the cracks, why are we being asked to authorize what's already happened.

Ms. Davidson said it's a release from MRA; any new investor would see this as a lien on the property and discourage anyone from investing capital in this project.

Pam Walzer commented on the 30 years affordability requirement.

Ms. Davidson said when we get a new allocation of tax credits it will be 46 years.

Upon a voice vote, the motion carried unanimously.

III. Regular Agenda

- A. Confirm the reappointment of Mark Muir to the Impact Fee Advisory Committee completing a term commencing December 1, 2010 and ending November 30, 2014. (Returned from Council floor: 11/1/10) **HELD FOR DISCUSSION****

This item was not discussed at this time.

- B. Authorize the Mayor to waive prior and future Payment in Lieu of Taxes (PILT) on the Palace Apartments as these payments are not in accordance with Housing Authority and City policy for housing owned by the Housing Authority that is not "Low Rent Public Housing" subsidized by HUD. ([memo](#))—Regular Agenda (Lori Davidson) (Referred to committee: 12/06/10)**

REMOVE FROM AGENDA

MOTION: The committee recommends the City Council authorize the Mayor to waive prior and future Payment in Lieu of Taxes (PILT) on the Palace Apartments located in downtown Missoula and owned by the Missoula Housing Authority (MHA) and provide that the amount of forgiven PILT may be used as a credit in MHA's tax credit application for rehabilitation and repair funds.

Ms. Davidson explained that at the time the Missoula Housing Authority purchased the Palace Condominiums on 6/26/2009, it was discovered that a Trust Indenture in favor of MRA remained on the property even though the TIF grant which it secured had been fully repaid to the agency. In order for the sale to close, the City agreed to subordinate the Trust Indenture to the mortgage loan in exchange for a Payment in Lieu of Taxes (PILT) [agreement](#). PILT is what MHA pays on public housing rent, on average runs \$150 a month and the PILT is 7.5%.

The Palace is not considered public housing, its affordable housing. The rents run between \$400-600 per month. When you put a PILT agreement on full rent it is almost as much as paying property taxes. That is difficult for the Palace to do. We did pay \$16,942. Since then, we have not had the cash flow. Sometimes in a repurchase deal the reserves are funded by the loan. We came in with no reserves and we could not generate the payments to the City.

MHA is now seeking funding for a substantial rehab of the 60 units of affordable apartments and historic rehab of the exterior of the building. In order to facilitate that funding, MHA requests the waiver of past and future PILT. The commercial condominium units on the first floor and basement remain on the property tax roles. The unpaid PILT is \$45,118.

Dave Strohmaier asked if there were there any differences in HUD to PILT.

Ms. Davidson said nothing has changed. If the trust indenture had been removed when it should have, this would not be an issue.

Ms. Walzer said the Palace houses some of the lowest income individuals in the City and gives them a place to live. If they didn't have this place, many would be on the streets. The rents are so low you can't collect PILT and this is a small amount of money to keep people from being homeless. She moved to authorize the Mayor to waive the past and future PILT.

Lynn Hellegaard she appreciates that has come out due to a clerical error and expressed concerns about the City's contracts being in order. Another concern she has is that MHA comes here for CDBG money. She asked why they don't budget for upkeep on these buildings. She will vote no and do some more research on this. She asked why they aren't planning to sell this building.

Ms. Davidson said we want to keep it in the affordable housing pool for downtown. Finding a new purchaser would be problematic as it has tax restrictions, so a purchaser could not come in and convert it into condos. There is approximately \$5 million dollars of rehab.

Public Comment:

Jaime Hoffman, Chairman, MHA Board, said he has found that the majority of the housing authority's waiting list is for single family households so we are selling homes that don't address the needs on that waiting list.

Mr. Childers how is your budget to maintain the Palace.

Ms. Davidson said the palace is never going to cash flow as the units are too small. The budgets look fine and we have worked diligently to lower expenses. We got our elevator contracts down from \$16,000 to \$2,500 per year.

Mr. Strohmaier said he has served on the Mayors Downtown Steering Committee and worked on the Downtown Master Plan. This is exactly what we are looking for in downtown Missoula; He sees this forgiveness of debt as a small step in the right direction.

Ms. Worthington said at one point the Palace was vacant for five years and they called it a five story roof. It has to be maintained and our budget will be tight and the options aren't easy.

Ms. Walzer said it's a beautiful building. It has the potential to be a lovely landmark. She asked what type of individuals reside there and what where would they go if the Palace was not in the affordable housing pool.

Ms. Davidson said if the Palace was not available to the tenants who live there, many of them would be at the Poverello Center or camping. She said a number of the tenants have actually come from Poverello center and have gotten into the Palace as their situation improved. Mostly the tenants are low income, elderly and disabled individuals.

Ms. Mitchell stated that she once knew a tenant there and the smell in the building is horrendous, she asked if carpets are replaced and asked if security deposits are required.

Ms. Davidson said yes, security deposits are required and we do replace carpets in units upon move outs. The problem is there is as much common space as apartment space and the common area carpets have not been replaced and are a source of odor. We would like to remove them and put in hard floors.

Roy Houseman said he is hesitant to think backward in a retroactive manner he expressed concerns and said it leaves a bad taste in his mouth.

Ms. Davidson said she can't think of another project they would ask you to do this for; she wished it could have happened differently.

Mr. Wilkins said he doesn't want to forgive the debt, but would like to see it as a match on tax credit applications.

Ms. Rye asked Ms. Walzer to amend the motion to include that the forgiven PILT may be used as a matching tax credit.

Ms. Walzer amended the motion.

Upon a voice vote the motion passed with Hellegaard voting nay and Mitchell abstaining.

IV. Held in committee

1. Approve claims. (Ongoing) (Consent Agenda)
2. Approve journal vouchers. (Ongoing) (Consent Agenda)
3. Approve budget transfers. (Ongoing) (Consent Agenda)
4. An ordinance amending the municipal code as it relates to bike licensing. ([A&F](#)) (Returned from council floor: 12/15/08)
5. Implications of establishing maintenance districts. ([memo](#)) – Regular Agenda (Bob Jaffe) (Referred to committee: 05/11/09)
6. Clarify position of council member who also serves on the board of a non-profit agency that has dealings with the city. ([memo](#)) – Regular Agenda (Ed Childers) (Referred to committee: 07/20/2009)
7. Review the FY 2011-15 capital improvement projects (CIP). ([memo](#)) – Regular Agenda (Brentt Ramharter) (Referred to committee: 04/19/2010)
8. Amend Council rules to change the Council's regular meeting schedule to two meetings per month ([memo](#)).—Regular Agenda (Marty Rehbein) (Referred to committee: 06/07/10)
9. Discuss the disposition of surplus city property. ([memo](#))—Regular Agenda (John Newman) (Referred to committee: 10/25/10)
10. Amend the FY 2010 budget to appropriate expenditures that were not identified in the original budget. ([memo](#))—Regular Agenda (Brentt Ramharter) (Referred to committee: 11/01/2010)
11. Quarterly report by North Missoula Community Development Corporation. ([memo](#))—Regular Agenda (Lyn Hellegaard) (Referred to committee: 11/08/10) **FOR DISCUSSION 12/15/10**
12. Discuss outstanding third-party contracts. ([memo](#))—Regular Agenda (Lyn Hellegaard) (Referred to committee: 11/08/10)
13. Review the city's current policy for charging the public for various city-produced documents ([memo](#))—Regular Agenda (Dave Strohmaier) (Referred to committee: 12/06/10)
14. Establish the City Council meeting schedule for 2011. ([memo](#))—Regular Agenda (Marty Rehbein) (Referred to committee: 12/06/10)

V. Adjournment

The meeting was adjourned at 2:00pm

Respectfully submitted,

Dee Andersen

Administrative Secretary.