

MONTANA

BOARD OF INVESTMENTS

SPECIAL MEETING
Zoom Conference Call
December 21, 2023
1:30 pm – 2:30 pm

AGENDA

CALL TO ORDER – Jack Prothero, Chair

1. Notice of Video/Audio Recording
2. Roll Call
3. Public Comment – *Public Comment on issues with Board Jurisdiction*
4. HB 819 Workforce Housing Development Proposal – **Decision**
5. Adjournment

MONTANA

BOARD OF INVESTMENTS

To: Members of the Board
From: Dan Villa, Executive Director
Date: December 12, 2023
Re: HB 819 Workforce Housing Proposal

DocuSigned by:



21DF48F786AE4F4...

Staff is recommending the Board approve development of 28 residential units in the City of Deer Lodge, Montana to comply with the provisions of HB819, Section 15. The purpose of the funds is to “advance the construction or purchase of workforce housing of employees who work at state-owned facilities that house state inmates or behavioral health patients.” Below for your consideration are short- and long-term proposals for these funds.

Short-Term

Contingent upon Board approval, BOI will enter into a development agreement with Corner Post General Contracting, LLC of Bozeman, Montana to construct the units for \$8,103,959, \$742,041 for road and sewer installation, for a total cost of \$8,846,000. This proposal entails construction of twenty-eight 1400 square foot units, a Letter of Intent to purchase and close on the units upon award of a certificate of occupancy, providing a land warranty to the builder to secure financing, a reopener in the event timber prices rise in excess of 12% between December 2023 and May 2024, and no realtor or closing costs to either BOI or Corner Post. A breakdown of BOI costs and pro forma for the project is included with this memo as “Attachment A” and “Attachment B” respectively. We are proposing an initial monthly rent of \$760.36 and show assumptions on investment earnings of the principal balance for this analysis.

The preferred development site is owned by the City of Deer Lodge. BOI will negotiate a land swap with the city for land owned by the Department of Corrections and currently used by the city for municipal water wells. The Department of Corrections has agreed to sell the land to BOI for \$1. You can see the two locations and the quit claim deed included as “Attachment C.”

A draft floor plan is included as “Attachment D,” and a draft site plan is included as “Attachment E.”

Long-Term

Recruitment and retention of employees at Warm Springs and Deer Lodge has been an ongoing issue for the state. While this proposal will undoubtedly assist the respective departments in their recruitment efforts, the funding entrusted to BOI can and should be leveraged to include retention assistance.

Within the pro forma you will see a reduction in earnings in each five-year increment. This is in order to provide \$30,000, 0%, 20-year term note to employees who have remained with their respective agency for five years to be used for the sole purpose of purchasing permanent housing. These notes would be made available to employees by BOI who remain employed by Montana State Prison/Montana State Hospital for as long as the employee continues with their state service or 20 years, whichever ends first.

As always, I'm happy to answer any questions. I would also ask the Board to please join me in commending Sam Holman, Fixed Income Investment Analyst, and Robert Samson, Real Estate/Real Assets Investment Analyst, for their tremendous and thoughtful work in negotiating the deal, conducting our thorough due diligence process, and ensuring accurate financial projections guided the transaction throughout.