

**Granite County Hospital District
Board of Directors
Special Meeting Minutes – DRAFT
August 19, 2021**

Present:

- Mr. Jim Waldbillig (Board Chair)
- Mr. Chad Green
- Mrs. Kristi Mainwaring
- Mr. John Barbara

A quorum of the Board was present.

The meeting was called to order by Jim Waldbillig on August 19, 2021 at 5:31 PM. The meeting was held in the Granite County Medical Center Conference Facility in Philipsburg, MT.

Jim Waldbillig stated the purpose of the meeting was to discuss the potential purchase of the triplex across the road. He then deferred to John Barbara to led the discussion.

John Barbara stated the building under consideration was three units with two bedrooms each, and that two of the units came with an indoor garage. The property was currently listed at \$549,000. Taxes were currently \$2500 per year, but per the county treasurer office and the Department of Revenue, these would not apply if Granite County Medical Center purchased the property.

He reported there was significant water damage in two of the apartments that would need to be repaired before they could be occupied. The building had been inspected by Cory Markovich, of Markovich Construction, who gave an extensive repair estimate of \$75,000 in order to bring all three apartments to a livable condition.

The property has been on the market for two years and has gone under contract twice. One of the apartments was rented at approximately \$800 to \$900 per month, which is below the current market price of \$1100 to \$1200 per apartment per month.

He also reported a commercial loan with Granite Mountain Bank would entail ten percent down with a 4.25 fixed rate for twenty years. He also compared that figure with other bank loans which would require twenty-five percent down at 5.25 percent for twenty years, and concluded Granite Mountain Bank would offer GCMC the best deal. Kristi Markovich could act as the buyers agent if so desired. There would be no cost for her services since the seller would pay her fees.

A bid of \$450,000 to \$475,000 (which would be the asking price minus estimated repair costs and minus ten percent down) would mean a loan of approximately \$425,000 and at 4.25 percent would mean a monthly payment of \$2600 per month so if the units were occupied, they would pay the loan.

He reported the hospital district had the option to lease property to outsiders/ non employees of the hospital which was confirmed by the county attorney as well as Dan Auerbach, state attorney, who looked at the Montana Code to confirm there would be no violations to it.

He also reported they did get current utility bills for the units, but they were illegible so further information will be obtained from the buyer's realtor. He then opened the floor for discussion.

Chad Green asked for confirmation regarding the time the apartments had been on the market. John Barbara confirmed the apartment had been on the market for two-year time per Tom Rue, Realtor. Chad also asked if a starting bid price had been initiated with Kristi Markovich and John Barbara replied the only conversation regarding a bid was the mention of taking off approximately \$75,000 for necessary repairs.

Kristi Mainwaring asked if the prior sales fell through because of the condition of the building and John Barbara said that could have been a deciding factor. Maria Stoppler, however, reported the deterioration of the

apartments was probably relatively new. The major deterioration affected two apartments, the floor of the upper unit and the ceiling of the lower unit and the damage occurred within the past year.

Jim Waldbillig reported Cory Markovich also noticed a crack in the foundation on the East side of the apartments which was leaking slightly. This would need to be repaired also and this repair was included in the \$75,000 repair estimate. John Barbara further reported the building was only twelve years old.

Jim Waldbillig added there is an encroachment by a neighbor's garage of approximately three feet and it would come up in a title search.

Maria Stoppler suggested they not forget they have not seen the third apartment and it is reasonable to assume there may be water damage in it as well since there are no sill plates on the exterior doors of the other two units toured previously.

Jim Waldbillig suggested the lack of sill plates and known water damage could be a talking point to keep the starting price lower and additional needed repairs might be revealed once the carpet was removed. John Barbara reminded everyone an official inspection would occur before or concurrently with the starting bid offer.

Jaime Bancroft, business manager for GCMC reported a prior employee of GCMC lived in the apartment shortly after construction with no reported issues; but a more current employee had reported fungus growing near the door and there was water damage reported around four years ago.

Chad Green asked if Jim Waldbillig had noticed any mold in the crawl space and Jim said no, the crawl space was surprisingly in good condition.

Brenda Peyton, accountant, suggested getting an estimate of expected occupancy rate, (when every unit could be expected to be occupied throughout the year). She reported every unit would have to be rented 80% of the time in order for GCMC to break even on the estimated loan of \$425,000, and to also allow for future repairs as well as cleaning costs when travelers moved out, etc.

Jaime Bancroft reported Home on the Range, property management company for apartments in Philipsburg, reported rental units were filled within a week of being listed and they had a waiting list, but she would reach out to them for more details on expected occupancy figures for the fourteen-apartment unit up the street from the building under consideration.

John Barbara asked how many apartments would need to be set aside for travelers? Yolanda Schultz, ADON, reported the house rented currently for travelers had three bedrooms and a couple of other travelers were staying at the local inn. Kristi Mainwaring concluded probably two units would be needed to address the housing problem for travelers.

Kristi Mainwaring asked about any figures for the anticipated savings on the travelers expenses, but Maria Stoppler reported housing costs are paid by the travelers themselves and the hospital did not pay for housing per se. Jim Waldbillig asked if the cost for housing could come off the future hospital's cost report and Brenda Peyton thought that would be allowed for employees, but probably not for the non-employed renters. Jim Waldbillig also asked if the hospital had enough non-designated cash on hand to cover the down payment and cover the repairs?

Brenda Peyton reported that figure would have to be calculated once the provider relief fund number was known and Jaime Bancroft suggested finding an available repair contractor might be a problem as well.

Maria Stoppler questioned if buying this property would tie up resources needed for the long-term plan to build a new hospital on a different site. John Barbara replied buying the property might help in those efforts by providing additional collateral and Jim Waldbillig suggested looking at the option to run the rental as an enterprise, or something similar where the funds would not be tied up for the long-range plan because the rental would be like a sub-corporation.

Kristi Mainwaring reminded everyone the housing issue for travelers was the immediate problem and the board needed to address that problem. Any long delays could cost the hospital even more with housing costs on the rise and all the ongoing construction occurring in Philipsburg. John Barbara remarked the hospital was renting a three-bedroom house which provided only a temporary fix to the housing problem, since the owners could potentially put that house on the market and not to rely on it being available indefinitely. He suggested going ahead with the building inspection, since the inspection cost was minimal and then the board could make a better-informed decision at a later meeting. He also suggested seeing if a contractor was available who could make the needed repairs. He suggested considering Markovich for the repair work since they were a known entity with had already given an estimate on the needed repairs as well.

Jim Waldbillig asked if anyone objected to the board moving forward on these issues? There were no objections. Jaime Bancroft asked the board to consider using a local Realtor and Jim Waldbillig then suggested using Deb Dauenhauer. He asked if John Barbara could approach Deb Dauenhauer as GCMC's buyers agent and she could then suggest a beginning bid figure as well. John could then report to the board at the next regular board meeting in ten days. It was also suggested to look at a cash flow budget for the rental property at that time to project expected ongoing costs and the income needed to cover those costs, which could also help determine the top figure that could be offered for the property.

Jim also decided to look into the enterprise option and he would approach Mr. Sullivan about the option to demolish the Kittel house. Additional storage options would need to be considered as well.

Yolanda Schultz also reported on the other hand, more apartments would probably be available within a month so the board could consider the short-term rental apartments for the traveler housing issue and Maria Stoppler reported currently the three-bedroom house was leased for six months.

There was no further discussion and the meeting adjourned at 5:39 PM.

These minutes have been reviewed and approved by motion of the board:

Jim Waldbillig (Chairman of GCHD Board of Trustees)

Date