



MINUTES OF A SPECIAL MEETING OF THE CITY COUNCIL
OF THE CITY OF CONRAD, COUNTY OF PONDERA, STATE OF MONTANA
HELD AT NORLEY HALL ON October 29, 2023

The City Council of the City of Conrad, County of Pondera, State of Montana, met in a Special Meeting at Norley Hall on October 29, 2023 at 2:00 p.m.

Present: Mayor Jamie Miller; Aldermen: David Cates, Scott Mycke and Amber Schoenrock; Finance Officer Joani Mink, and City Attorney Daniel Jones

The meeting was called to order by Mayor Miller at 2:00 p.m.

Absent: Nathan Hunsucker, Alderman with permission

Guests Present: 70+

Discussion/Action: Blue Sky Villa Complex

After the meeting opening, Ms. Schmidt moderated the discussions. Introductions were made by City personnel and Blue Sky Villa Board members present on the stage. Ms. Schmidt explained the background and that the focus of this meeting was to help answer questions and provide transparency regarding the position of the lease agreement negotiations, especially for tenants of Blue Sky Villa. Explanation of how board members (volunteer) and city council (monthly amount) are paid was covered. Ms. Audrey Rouns from Blue Sky Villa Board gave a report on the history of Blue Sky Villa. Obstacles encountered during negotiations were reviewed. City Attorney Jones explained the City's goal was to ensure there was good communication with the tenants, that the City's asset is maintained, and the wellbeing of the tenants of Blue Sky Villa. The City is trying to ensure maintenance, upkeep, and communication, and ensure that property will be in as good or better condition as when leased.

The City of Conrad, owner of Blue-Sky Villa and the Horizon Lodge Garden Apartments, Inc. Lessee, had been negotiating the terms of a new lease agreement as the current lease is due to expire December 1, 2023. The City of Conrad proposed certain terms for the new lease. This included that HLGA provide an annual report on predefined BSV assets so the city could keep track of the inventory that Horizon would return to the city at end of lease. The city also proposed a lease payment structure that included the following: rent, capital contribution made and held by the City for BSV improvements, and a capital improvement payment made to the City by Horizon. The city proposed an increase in rent to \$90,000 payable July 1, 2024, and a 3% increase per year for five years. Horizon rejected the City's proposed terms. They felt the proposed increase in rent was not acceptable, but they were willing to pay \$70,000.00. Horizon did not believe that all the reserve funds should be returned to the City. The Board for Horizon felt that depleting the reserve funds along with significant outlay of monies would not leave



enough money for Horizon to cover ongoing maintenance projects or cover costs of major equipment failures. The Board emphasized their goal is to do what's best for the community but felt it couldn't do it at the new lease terms. The city offered to make a loan to horizon as a line of credit at 0%, but that offer was turned down, as well.

According to City Attorney Daniel Jones, the Horizon Board rejected the City's proposal and failed to make counter proposals. This meant that the City was looking into property managers and or other lessees. Daniel said the negotiations left off at "last best offer", and he didn't feel negotiations were over. Regardless, the city was prepared to move on.

Rent increases were a topic for discussion. The city was questioned about its request for rent increases. The question was answered that in relation to the value of the property and comparisons of similar valued properties it could be doubled. The city didn't want the idea that it was providing subsidized housing at the taxpayers' expense. It felt an increase was essential. The City noted asking for the rent increase was a risk in coming to the end of negotiations, but as a city asset the Council felt it had an obligation to do so. Council also noted that it wanted more control, transparency, and accountability for the allocation of funds. As council member Amber repeatedly stated the city never said it wanted to take all Horizon's money, but it wants accountability. The City of Conrad wanted some of the funds to be approved by the City Council before being spent on BSV. Alderman Schoenrock claimed Council wanted to know that Horizon was getting things fixed. She noted that Council wasn't asking just so the city could pocket money. The city wanted to make sure that roofs and unpredictable things were going to be dealt with. Not just the same things on the list every year but little things to big things. She said the city cares about the maintenance and upkeep of its asset. Horizon also expressed its concern for the property, but claimed it was very difficult to get contractors hired and maintenance tasks completed. Amber noted that it was Horizon not the city who raised the tenant's rent. Finally, Alderman Schoenrock expressed her concern for BSV by noting her support for the "elders" in our community. She said we should all strive to take better care of them, and that we want to keep them happy and make the city a better place, and that's what we need to strive for.

Janice Farkell, Conrad Historian, said when the City purchased Blue Sky Villa for \$1.00 that the property tax for county and city would be met. She asked what the county tax and the property tax are, and is the county comfortable with what they are getting back. She specifically asked the mayor to speak. The mayor answered by stating this is government property and there is no tax. The agreement is that in lieu of the property tax the City pays \$14,963.00 to the county. A former county treasurer office worker from the audience said the county uses the \$14,963.50 mainly for development, the port authority, and \$2000.00 for the super asset loan dues. According to the treasurer office worker the county does not benefit financially from the city payment

Some other topics of discussion included why Horizon increased rent and put in place a pet policy. Horizon board members claimed the rent increase was a hard decision, but rising prices on everything made it essential. They noted that the new pet deposit policy came because of some severely pet



damaged villas. Some of the BSV units were damaged bad enough that they needed new flooring and the walls needed new paint. It was said to be very time consuming and costly. Audry Rouns for Horizon expressed that the Board thought it was only fair that pet repair costs come out of the pockets of the pet owners rather than charge non pet owners.

Towards the end of the Town Hall discussion, Mayor Miller commented that no one has a clear picture of the future but emphasized the hope for a smooth transition. She also noted that anything the city does is open to the public, and the city will provide full transparency. The city attorney supported her comments, and he told the audience that the city is very capable of handling the assumption of BSV. He backed this up with the fact the city has 28 employees, numerous tools, dedicated staff, and adequate funding for BSV tenants to continue getting the level of service they are comfortable with.

Finishing the discussion, prior to the motion Lisa asked if either party was willing to continue with negotiations. Responses and comments from the audience favored this idea, and in the end the Council moved. Discussion regarding the motion included bringing in an arbitrator, allowing offers to lease Blue Sky Villa within that three- month period, and adding language that allows the city to cancel the extension of the lease. The mayor said the city would consider these suggestions at a later time.

- Motion by Alderman Schoenrock, second by Alderman Cates, to extend the contract with Blue-Sky Villa for three months.
 - Motion Carried Unanimously

Following the motion, Alderman Schoenrock asked Horizon board the date of their next meeting. Audry said the meetings were on the 3rd Tuesday in November at Norley Hall but are closed to the public. This led to additional comments from the audience as to if Blue Sky Villa tenants or others would be allowed to attend the following meeting. Audry Rouns answered by stating that the Board is run as a non-profit organization and is not required to have meetings open to the public. She said Horizon board already knew the concerns of the tenants and felt the board needed to discuss finances, employees, and financial matters in a private meeting. She said it was a matter of the right to privacy law. Amber asked if she showed up would she be kicked out. The board answered by stating they accept written concerns prior to the meetings. Also, Linda Iverson is the representative from BSV and addresses the board with tenant concerns prior to board meetings. Horizon will vote on its decision to extend the lease with the city at its next meeting. If they vote in favor of extending the lease, negotiations will continue for the next three months.

- Motion by Alderman Schoenrock, second by Alderman Cates to adjourn!
 - Motion Carried Unanimously



Meeting Adjourned:

- There being no further business to come before the council, motion by Alderman Schoenrock, second by Alderman Cates to adjourn meeting at this time.
 - Motion Carried Unanimously
 - Meeting adjourned at 4:20 p.m.

Nathan Hunsucker

Nathan Hunsucker, Mayor Interim

Attest:

[Signature]

Finance Office

