



COMMUNITY DEVELOPMENT DIVISION

Affordable Housing Development Program

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DATE: May 11, 2020
TO: Community Development Board
TITLE: NeighborWorks Montana C & C Resident Owned Community Infrastructure Project
DEPARTMENT: Planning & Community Development Division
PRESENTED BY: Dina Harmon, Community Development Program Coordinator

ISSUE STATEMENT

On January 03, 2020 an Affordable Housing Development Program application was submitted by NeighborWorks Montana requesting \$382,560 in Community Development Block Grant (CDBG) funding.

NeighborWorks Montana proposes to complete infrastructure improvements within the C & C manufactured home Resident Owned Community (ROC) located in the Southwest Corridor neighborhood. The C & C manufactured home community is located at 307 South Billings Boulevard.

CDBG funding can be committed utilizing FY20-21 new CDBG funds and program income. Committing \$385,000 would allow the City to remain in compliance with CDBG timeliness requirements and provide additional funding to accommodate staff time and contingencies.

ALTERNATIVES ANALYZED

- 1) Approve funding for the proposed project, with or without conditions. A funding allocation to support this new infrastructure project would assist the City in meeting affordable housing needs while ensuring compliance for timeliness deadlines through FY 20-21;
- 2) Not approve funding for the project. NeighborWorks Montana would need to secure additional conventional financing to complete the project, increasing costs passed on to the current residents, or the project would not move forward.

FINANCIAL IMPACT

An adverse financial outcome to the City is not anticipated and the commitment of these funds will help the City to meet the federal timeliness requirement. The project cost will not result in an increase in lot rents for the C & C Community Residents. Furthermore, residents of the C & C Resident Owned Community now have a true homeownership opportunity that will provide safe and decent housing with the infrastructure improvements as well as allow homeowners to build assets.

There are ongoing affordability covenants/restrictions running with the property entitling the homeowners with membership interest to vote in the operations. Budgeting is a small fixed amount which will remain the same over time for future homeowners and not be subject to appreciation based on the market.

PROCEDURAL HISTORY

- **April 2019:** The Resident Owned Community was formed as a public benefit non-profit for the purpose of purchasing/converting the manufactured home park to a Resident Owned Community.

- **January 3, 2020:** NeighborWorks Montana submitted an Affordable Housing Development Program application to the City’s Community Development Division requesting \$382,560 in CDBG funding for infrastructure improvements.
- **February 18, 2020:** Staff sent a memo detailing the project to the Community Development Board.
- **March 3, 2020:** NeighborWorks Montana staff reviewed the project with the Community Development Board during their regular monthly meeting.
- **May 5, 2020:** The Community Development Board made a funding recommendation on the project for submission to the City Council.
- **May 11, 2020:** The City Council will review the Consolidated and Annual Action Plans with budget recommendations for all programs, including the C & C Community infrastructure project.



PROJECT REVIEW

Location: The property is located within the Billings city limits in the Southwest Corridor area. The property is located near the intersection of South Billings Boulevard and Underpass Avenue at 307 South Billings Boulevard. The property is a 5.196-acre tract of land. It is served by municipal water and sanitary sewer systems, minimal on-site storm drainage system, private utilities, and irrigation water from the adjacent Suburban Ditch along the west side of the property.

The manufactured home park was constructed in the 1950s and was originally configured to accommodate 100 lots. It was configured to the current 60 spaces in the 1970’s when manufactured homes became larger.

Units: There are 60 lots in the C & C Community. One lot is currently vacant and one two section home is occupying two lots for a total of 58 occupied lots.



Improvements Needed: A complete Property Condition Assessment and Report was completed by Sanderson Stewart. Due to the 70+ years of use, degradation of the property has occurred to the infrastructure features. The project will consist of replacement of all asphalt paving, storm drainage improvements, and installation of two fire hydrants. There are signs indicative of subsurface pavement failures, which would require additional excavation of gravel/subgrade below the pavement surface.



Organizational Strengths: NeighborWorks Montana staff has significant experience in affordable housing development, specifically in Resident Owned Communities, to bring forth successful projects. Organization staff will be working with Sanderson Stewart to provide construction oversight, construction administration, administration of funding and supervision to C & C Community.

Through NeighborWorks Montana Resident Owned Community Program, they have helped homeowners purchase and successfully manage their manufactured home parks. They have helped eleven resident owned communities form in Montana with 425 homes, attracting over \$12.3 million in acquisition financing and \$7 million in infrastructure investment. Staff has extensive knowledge, experience, and formal education to ensure the long term viability of the project. NeighborWorks Montana has the financial capacity to oversee and fund the proposed development.



Financial Plan: Sources of funds to complete the infrastructure project financing to date are as follows:

C & C Community Inc. Equity	\$10,000
City of Billings CDBG Funds Requested	\$382,560
Total Sources:	\$392,560

CONSISTENCY WITH ADOPTED POLICIES OR PLANS

City staff drafted the five-year Consolidated Plan and the following key findings were identified as a result of a Housing Needs Assessment, Market Analysis and an Analysis of Impediments to Fair Housing Choice. Priority needs and strategies have been identified in the five-year Consolidated Plan and include affordable housing and poverty impact.

- **Housing Cost Burden:** One of the most significant housing issues in Billings is cost burden. Over 80% of low-income households have been paying greater than 30-50% of their income for housing costs. Minorities are disproportionately impacted by housing cost burden including Black / African American, Asian, Native American, and Hispanic families.
- **Affordable Housing Availability:** While there are an adequate number of housing units in Billings to accommodate the population, there is a housing deficit of over 4,700 units for households with incomes

less than 30% of the area median income. There are also over 6,200 households on the Housing Authority of Billings waiting lists. Over 2,000 people are waiting for single-person housing. Housing costs are also the most significant factor in rental housing choice for both renters and homeowners.

- **Homeownership:** Racial and ethnic minorities have a low homeownership rate than the White population (67%) in Billings. The Black cohort has the lowest homeownership rate at 16% followed by Native Americans at 31%. Thirty-three percent of the Hispanic cohort are homeowners.

STAKEHOLDERS

- NeighborWorks Montana made a presentation to the C & C Community, Inc. on December 14, 2019. C & C Community members were supportive of the infrastructure project.
- Low income families and individuals in the community, as the project is targeted to families and individuals under 80 percent AMI.
- Surrounding property owners would benefit from a neighboring community that is safer with good curb appeal

SUMMARY

An overall review of the application reveals the project is consistent with similar projects the City has funded in the past. The subsidy amount per lot is \$6,378 which is within limits and considered reasonable gap financing required to ensure long term project viability. C & C Resident Owned Community, Inc. has committed \$10,000 in equity towards overall project costs and has also invested \$1.2 million to transfer ownership of the property to the residents. The project is also consistent with the City's Consolidated Plan.

There is a demonstrated need for affordable single-family units, as evidenced through data from the City's recent Housing Needs Assessment, Market Analysis and the Analysis of Impediments to Fair Housing Choice. NeighborWorks Montana has extensive experience, both in developing and managing affordable housing projects, and they are knowledgeable about CDBG program requirements.

RECOMMENDATION

Staff and the Community Development Board recommends the Community Development Board approve \$385,000 in funding for NeighborWorks Montana to complete infrastructure improvements within the C & C manufactured home community.