



**COMMUNITY DEVELOPMENT DIVISION**  
**Affordable Housing Development Program**

2825 3<sup>rd</sup> Avenue North, Billings, MT 59101

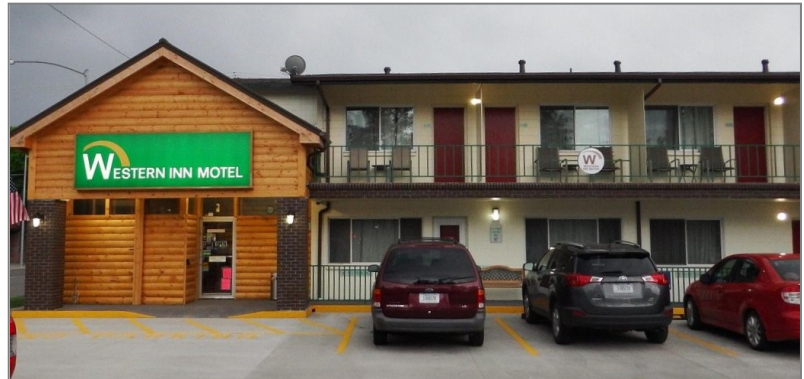
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www.BillingsMT.gov/chdo

DATE: September 23, 2021  
 TO: Community Development Board  
 TITLE: HAB Development - Housing Authority of Billings: Off The Streets Project  
 PRESENTED BY: Dina Harmon, Community Development Program Coordinator

**Recommendation**

Community Development staff recommends allocating \$450,000 in Community Development Block Grant (CDBG) funding to the HAB Development’s Off The Streets property to repair the current boiler, install new heating / air conditioning units, and to make necessary repairs to damaged units. The allocation and expenditure of CDBG funding will also assist the Division in meeting a timeliness deadline next spring.



**Background**

**Application:** On September 16, 2021, an Affordable Housing Development Program application was submitted by HAB Development, an instrumentality of the Housing Authority of Billings (also known as HomeFront), requesting \$450,000. Funding would be used to replace a nonoperating boiler system and rehabilitate four rooms that were damaged when the boiler malfunctioned.



**Project Site:** Off the Streets is a 40-unit project located at **3311 2<sup>nd</sup> Avenue North**. HAB Development purchased the Western Inn Motel property for \$1.64 million in October 2020. Half of the units are used as a low-barrier shelter for those experiencing homelessness and the other 20 units are prioritized for pandemic response to provide necessary quarantine and isolation.

Availability of isolation units is paramount to lessening the burden on healthcare providers and hospitals in the community. Individuals and families using these units must be referred by a healthcare organization.

**Project Utilization and Beneficiaries:** Off The Streets provided quarantine / isolation services to 95 unique individuals from October 2020 through August 2021, and the combined stay for these units totals 605 days. The low-barrier shelter served 358 unique individuals from November 2020 through August 2021, and the combined stay for these guests totaled 11,746. Individuals are screened for physical /mental health by qualified health professionals at the Community Crisis Center and diverted to the most appropriate shelter for the evening. Noone is allowed to self-present, they can only be referred by the Community Crisis Center.

Funding investments in this project will benefit low-income individuals and families long-term. When isolation units are no longer needed, the project will continue serving low-income, qualifying populations. Housing types include, but are not limited to overnight shelter, interim, short-term transitional, long-term, permanent

supportive housing, transitional / bridge housing, etc. The applicant is willing to secure the City’s funding award through deed restrictions and a trust indenture, assuring the City will be repaid the full award if the project no longer serves the intended population or is sold.

### Fiscal Effects

Community Development (CD) staff recommend utilizing Community Development Block Grant (CDBG) funding for this project. The Division has recently received many home buyer and repair loan repayments and has \$359,876 in CDBG revenue from last fiscal year to allocate. Since July 1, 2021, the Division has received an additional \$140,000 in loan repayments that can also be allocated, bringing the total available to **\$499,867. As new CDBG revenues are received, they are added to the total amount the City must expend prior to the end of April 2022 to meet the CDBG timeliness deadline.**

### Alternatives

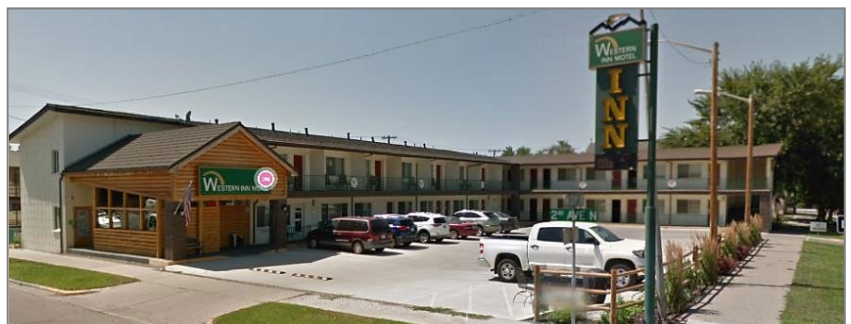
- 1) Approve funding for the proposed project, with or without conditions. A funding allocation to support this new project would assist the City in meeting affordable housing needs while assisting the Division in meeting the April 2022 timeliness deadline.
- 2) Not approve funding for the project. HAB Development would need to secure other conventional financing to complete the project or not move the project forward.

### Procedural History

- **October 7, 2020:** The Western Inn was purchased by HAB Development to be used as a low-barrier shelter.
- **October 14, 2020:** Neighborhood / stakeholder meeting was held at Tumbleweed.
- **October 28 and 30, 2020:** Neighborhood meetings were facilitated through Zoom and information on the project was hand-delivered to neighboring properties within a three-block radius.
- **Winter 2020:** The boiler began leaking and caused significant damage to four units.
- **June and July 2020:** Two public community meetings were held to gauge the need for continued low-barrier shelter. Many elected officials also attended the meetings. The need for continued low-barrier shelter was evident.
- **September 16, 2021:** HAB Development submitted an Affordable Housing Development Program application to the City’s Community Development Division requesting \$450,000 for heating source replacement and rehabilitation of four units.
- **September 22, 2021:** Staff sent a memo detailing the project to the Community Development Board.
- **October 5, 2021:** HAB Development staff will review the project with the Community Development Board during their regular monthly meeting. The Board was also invited to take a tour of the project right after the meeting. A recommendation must be made on this project to prepare documents for City Council.

### Project Review

**Proximity:** The property is in the downtown area and within the Billings city limits. As part of the environmental review process, Division staff reviews locations for proximity to amenities, transportation, employment opportunities, food sources, education resources, etc.



The property is near greenspace at Founders Park and Community Park. It is also close to the YMCA, downtown employment opportunities, a children’s museum, Dress for Success, childcare options, downtown grocery stores, and thrift stores. Public transportation

routes are located along 2<sup>nd</sup> Avenue North and several additional routes are located within one or two blocks. RiverStone Health is within walking distance (0.8 miles) and the closest hospital is 1.1 miles away from the project.

### Project Management, Developer Qualifications, and Portfolio Assessment

**Management:** HAB Development is the property owner, and the Continuum of Care Executive Committee has taken responsibility for engaging a contractor to manage the shelter on-site. The Executive Committee is comprised of HomeFront (formerly known as the Housing Authority of Billings), Kari Boiter (Continuum of Care Director), District 7 HRDC, Tumbleweed, Besaw Integrity Consulting, United Way of Yellowstone County, and RiverStone Health. Several of the organizations listed have managed funding through direct federal allocations and a long history of federal project management.

**Qualifications:** The applicant’s staff has significant experience in affordable housing development, construction, maintenance, and oversight. The City of Billings previously awarded \$1,543,101 to the Housing Authority of Billings for affordable housing development, resulting in 75 new affordable housing units, and tenant-based rental assistance. City staff reports excellent compliance in all areas of project and service implementation and strict adherence to federal regulations. Projects include Spring Gardens, Old Town Square, Westchester Square, Sioux Lane infrastructure for Whitetail Run Apartments, and Pheasant Home.

**Beneficiary Involvement:** The organization also seeks beneficiary involvement and utilizes feedback in project and program development. Two commissioner positions are reserved for residents representing elderly, disabled, and family populations. Both resident commissioners voted to purchase the hotel for its current use and future intended use.

### Market Analysis

For this type of shelter and isolation project, the only market analysis required is to determine community need and utilization of the project to date. The project opened in October 2020 and has been continually and actively utilized, illustrating current shelter options for this population are limited. The project has served many more individuals and families than those involved with the project originally planned.

**Alignment with Consolidated / Annual Action Plan:** As noted in the FY21-22 Annual Action Plan, there were over 5,500 households on waiting lists for public housing. Over 2,000 people were waiting for single-person housing. The project addresses all the City’s Consolidated Plan goals:

- Create, preserve, and expand affordable housing options
- Neighborhood Revitalization
- Impact Poverty

### Financial Analysis

**Leveraging:** Over \$2.2 million has been committed and invested in the project to date. The funding request (\$450,000) is 20% of the total leveraged amount and 17% of total project costs, including boiler repair and rehabilitation.

LEVERAGED FUNDING	
Item	Leveraged Resources
Purchase price for 40-unit hotel	\$1,640,635
CARES Act - Emergency Shelter Grant through District 7 HRDC	\$625,000
Donated Value of Vehicle	\$6,500
<b>TOTAL</b>	<b>\$2,272,135</b>

**Fiscal Health:** Funding has been secured to date for shelter operations and the building is owned by HAB Development. A proforma is not necessary for this project as tenants are unable to pay rent. Post pandemic quarantine and isolation, the City recommends utilizing project-based assistance, multi-use design, and / or

tenant income strategies to maximize longevity and fiscal health. HAB Development has not received any administrative funding or reimbursement for initiating and carrying out this project.

**Procurement:** Several bids have been obtained for the project, however, there is only one all-inclusive bid addressing adequate heating systems:

- NorPac Sheet Metal - the only complete bid received: \$376,094
- White Heating & Air Conditioning - incomplete: \$87,013
- Air Controls Heating, Air Conditioning, Refrigeration, and Plumbing - incomplete: \$66,800

If funded, HAB Development is required to follow procurement regulations to obtain additional, competitive estimates through a free, open, and competitive process.

The overall project budget is reasonable, given the professional expertise available in Billings. There is a workforce and contractor availability shortage, and the cost of materials has greatly increased due to pandemic impacts.

PROJECT BUDGET		
Item	Bids Received	Estimated Cost
Immediate repair to current boiler. Midland Mechanical is the only company that is willing to go in, find and repair leaks.	No bids - Shelter Director Estimate	\$10,000
Purchase and PTACs: Self-contained heating and air conditioning system commonly found in hotels, motels, etc.	NorPac Sheet Metal	\$376,094
Electrical Work not included in NorPac Sheet Metal estimate	No bids - Shelter Director Estimate	\$5,097
Repairs for four units	SJS Builders	\$58,809
<b>TOTAL</b>		<b>\$450,000</b>

**Previous City Awards:** The project is in alignment with previous awards granted by the City. The cost per unit for improvements is \$7,500 per unit.

AFFORDABLE HOUSING PROJECTS		
Project	# Units	City Award
Pheasant Home	16	\$554,191
Southern Lights	20	\$500,000
C & C Community	60	\$540,000
<b>Off The Streets</b>	<b>40</b>	<b>\$450,000</b>
Sioux Lane – Infrastructure	32	\$262,000
Old Town Square	8	\$242,000
Spring Gardens	16	\$240,000
Westchester Square	3	\$200,000
YWCA Gateway House	10	\$182,400
Sage Towers	20	\$175,000
Acme Hotel	19	\$143,400

**Stakeholders**

- This project serves the most vulnerable populations in Billings: those experiencing homelessness; at-risk of homelessness; low-income individuals and households awaiting COVID-19 test results; and low-income individuals and households needing isolation after a positive coronavirus test result. Most of the individuals and families served by the project have incomes under 30 percent of the area median income.
- Local hospitals and health care providers can make referrals for isolation units. Hospitals are over capacity due to the pandemic and additional isolation options can lessen this burden.
- The Unified Health Command (RiverStone Health, Billings Clinic, St. Vincent Healthcare, and Yellowstone County Disaster and Emergency Services) has also identified the need for shelter and isolation units.

- Several nonprofit organizations are engaged and participating in this project: Community Crisis Center; Family Promise of Yellowstone Valley; Healthcare for the Homeless; The Salvation Army; St. Vincent DePaul; Tumbleweed; RiverStone Health; and United Way of Yellowstone County.

### Summary

An overall review of the application reveals the project is consistent with similar projects the City has funded in the past and is in alignment with the City’s Consolidated Plan. There is a demonstrated need for a safe and warm place for our homeless population to spend the night, as evidenced through data from the City’s recent Consolidated Plan, including the Housing Needs Assessment, Market Analysis and the Analysis of Impediments to Fair Housing Choice. Individuals who utilize one of the low-barrier shelter units must be referred to Off The Streets by the Community Crisis Center. A referral from a local health organization must be provided to utilize one of the twenty units set aside for those needing isolation. The applicant also has extensive experience, both in developing and managing affordable housing projects, and they are knowledgeable about federal program requirements.

### Community Development Board’s Recommendation

- Approval
- Denial
- Conditional Approval (state conditions):