



COMMUNITY DEVELOPMENT DIVISION Affordable Housing Development Program

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DATE: November 7, 2023
TO: Community Development Board
TITLE: Mitchell Court
PRESENTED BY: Dina Harmon, Community Development Program Coordinator

Recommendation

Community Development staff recommend allocating \$1,200,000.00 in HOME funding to Mitchell Court LLLP for the new construction of Mitchell Court Project. The allocation and expenditure of HOME funding will also assist the Division in meeting expenditure deadlines.



Background

Application: On October 13, 2023, an Affordable Housing Development Program application was submitted by Mitchell Court LLLP. Mitchell Court LLLP is requesting \$1,200,000.00. Funding would be used to construct 32 affordable rental units.

Project Site: Mitchell Court Project is a 32-unit project located at 4154 Mitchell Court in Billings; MT. Mitchell Court LLLP has an accepted buy/sell for the property with a purchase price of \$140,000.00. They are paying the seller \$140,000.00 at the closing of the property. They have already paid \$12,500.00 in earnest money that will be credited towards the \$140,000.00 at closing and is non-refundable should the deal fall through.

The availability of units will be 14 one-bedroom, 14 two-bedroom, and 4 three-bedroom units.

Project Utilization and Beneficiaries: Funding investments in this project will benefit low-income individuals and families that are up to the 60% area median income long-term.



The target populations for this project are Native Hawaiian/Pacific Islander, Black/African American and Asian households based on the project’s affirmative fair housing findings.

The use of existing infill land for the project site provides additional affordability. 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 HOME funding type for this project. The Division has program income, FY 22-23 and FY 23- 24 revenues bringing the total available to **\$1,441,904**. **As new HOME revenues are received, they are added to the total amount the city must expend.**

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 24 months commitment timeliness deadline.
- 2) Not approve funding for the project. Mitchell Court LLLP would need to secure other conventional financing to complete the project or not move the project forward.

Procedural History

- **July 13, 2023:** GL Development, LLC. entered into a buy to/sell agreement with Aquoneering, LLC to purchase 4154 Mitchell Court which is to be used as affordable housing for low to moderate income households.
- **July 20, 2023:** A local community presentation and input session was held at the Southside Task Force.
- **July 21, 2023:** A local community presentation and input session was held at the South Park Senior Center.
- **July 22, 2023:** Neighborhood / stakeholder meeting was held at the Plaza of the Jackson Court apartments.
- **October 13, 2023:** Mitchell Court LLLP submitted an Affordable Housing Development Program application to the City's Community Development Division requesting \$1,200,000.00 for the construction of the 32-unit multi-family complex.
- **November 7, 2023:** Mitchell Court LLLP staff attended the Community Development Board to give a brief presentation on the project. The Board was also invited to take a tour of the project right after the meeting.
- **November 21, 2023:** Staff sent a memo detailing the project to the Community Development Board.
- **December 5, 2023:** Mitchell Court LLLP staff will review the project with the Community Development Board during their regular monthly meeting. A recommendation must be made regarding this project to prepare documents for City Council.

Project Review

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

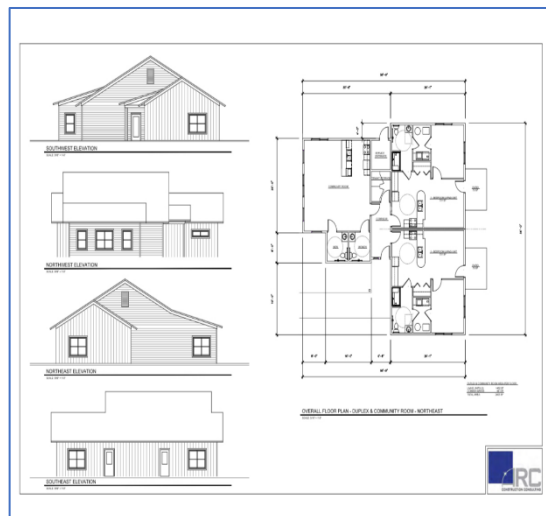
The property is near Optimist Park. It is also close to multiple churches, many employment opportunities at businesses such as Target, Albertsons, Wal-Mart, multiple fast-food restaurants, several large branch banks downtown, three credit unions and multiple convenience stores. The two larger retailers on the Westend have a pharmacy. Albertson's, that is 3.1 miles from the property, also has a pharmacy. There are two thrift stores in close proximity. Public transportation routes include a bus stop at the intersection of Mitchell Lane and Calhoun, as well as other bus routes in the vicinity. RiverStone Health is two miles distance, Billings Clinic is three miles and St. Vincent's Hospital is three miles away from the project.

Project Management, Developer Qualifications, and Portfolio Assessment

Management: Mitchell Court LLLP will be the property owner and will oversee the project management in conjunction with the selected Architect group. Mitchell Court LLLP will maintain ownership and Syringa Property Management will oversee the management of the property.

Qualifications: The applicant’s staff has significant experience in affordable housing development, construction, maintenance, and oversight. Gene Leauwer has been using HOME and CDBG since 1999 to deliver 21 affordable housing projects. All of Gene’s staff have many years of experience in working with HOME, CDBG and tax credit projects.

Beneficiary Involvement: The organization held three neighborhood meetings and a public notice was published in the Billings Gazette requesting comments.



Market Analysis

The property located at 4154 Mitchell Court is being purchased for \$140,00.00. A property appraisal is to be completed as a requirement of the property sale.

Alignment with Consolidated / Annual Action Plan: As noted in the City’s Consolidated 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: To date, \$4,220,390 million has been committed to the project (see below), they propose using \$5,394,461 in equity for a total of potential funding in the amount of \$7,044,461 and \$350,000 in Tax Increment Funding has also been proposed. The funding request of \$1,200,000 is 10.75% of the total leveraged amount and 9.30% of total project costs.

LEVERAGED FUNDING	
	Leveraged Resources
MBOH Coal Trust Multifamily Homes Loan	\$1,700,000
Montana Health Foundation Loan	\$750,000
State HOME Funds	\$1,650,000
Deferred Developer Fee	\$120,390
TOTAL	\$4,220,390

Fiscal Health: Funding has been secured to date for \$4,220,390 and \$7,044,461 has been applied for but not secured to date. Mitchell Court will partner Homefront to house households with housing choice vouchers. The project is being built with the goal of a tight, efficient, and durable building envelope for longevity and lower utility costs. Preliminary design concepts include crime deterrence to protect the buildings as well as maintain the safety of the residents. They are still \$134,803 short on funding.

Subsidy Layering Review: The list of proposed costs appears to be thorough and complete. Mitchell Court has management and maintenance plans in place to ensure the property’s long-term viability. The \$1,200,000 in requested funding is a very small percentage of the overall project costs and funding under the maximum subsidy

limits. The developer does have a past experience in developing housing with Federal funds and Low-Income Housing Tax Credits.

Procurement: Bids have not been obtained for the project.

If funded, Mitchell Court LLLC. developer is required to follow procurement regulations to obtain additional, competitive estimates through a free, open, and competitive process. A new Build America, Buy America requirement must also be met.

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
Land Purchase	Buy/sell accepted	\$140,000
Site Work	No Bids	\$1,427,007
Construction	No Bids	\$6,801,097
Professional Work & Fees (Architect, Attorney, Engineer)	No Bids	\$450,000
Construction Interim Fees	Business Fees	\$555,000
Permanent Financing Fees	Business Fees	\$84,500
Soft Costs	Business Fees	\$250,000
Syndication Costs	Business Fees	\$70,000
Developer’s Fees	Business Fees	\$1,205,000
Project Reserves	Business Fees	\$182,247
TOTAL		\$11,164,851

Previous City Awards: The project is in alignment with previous awards granted by the City. The cost per unit for construction is \$348,902 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
Off The Streets	60	\$450,000
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 households seeking housing they can afford in Billings: those experiencing homelessness; at-risk of homelessness; All of the individuals and families served by the project will have incomes under 60 percent of the area’s median income.

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 safe and affordable housing, 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. 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):