



COMMUNITY DEVELOPMENT DIVISION
Affordable Housing Development Program

316 N. 26th St., 4th Floor, Billings, MT 59101

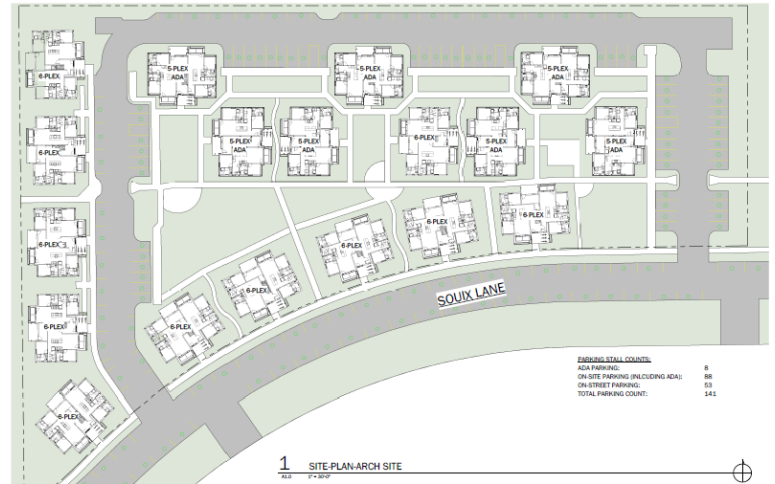
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DATE: February 19, 2025
 TO: Community Development Board
 TITLE: LB Lofts
 PRESENTED BY: Jordan Langton, Community Development Grants Coordinator

Recommendation

Community Development (CD) staff recommend allocating up to \$1,400,000 in HOME Investment Partnership (HOME) funding and \$145,000 in Community Development Block Grant (CDBG) funding to HomeFront (Housing Authority of Billings) and Homeword for the new construction of LB Lofts. HomeFront and Homeword have collaborated on this project. Homeword is the project’s developer and HomeFront is the project’s owner and property manager. Staff’s recommendation is contingent upon favorable environmental review results. The allocation and expenditure of CDBG and HOME funding will also assist the Division in meeting expenditure deadlines.

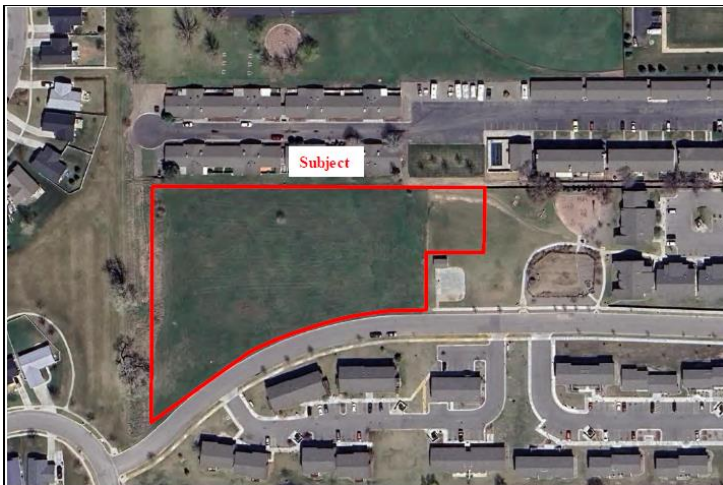


Background

Application: On October 18, 2024, an Affordable Housing Development Program application was submitted by HomeFront and Homeword. HomeFront and Homeword are requesting \$1,545,000 to construct 79 new affordable two-bedroom rental units.

Project Site: The proposed project is located near the intersection of Sioux Lane and Twin Oaks Drive in the Billings Heights. The property is valued at \$1,177,740 and was donated by HomeFront for the proposed project.

The total availability of units will be 101 two-bedroom units. Twenty-two (22) of these units will be funded via Low-Income Housing Tax Credits awarded to the project by the Montana Board of Housing. If awarded, the City of Billings’ HOME funding would be used to assist in funding the remaining seventy-nine (79) units. If awarded, the City of Billings’ CDBG funding will be used for infrastructure improvements.



Project Utilization and Beneficiaries: Funding investments in this project will benefit low-income individuals and families with household income up to 80% of the Area Median Income (AMI). Thirty (30) units would serve 31-50% AMI households; forty-nine (49) units would serve 51-80% AMI households. Based on the project’s affirmative fair housing marketing plan, the target populations for this project are Native Hawaiian/Pacific Islander, Black/African American and Asian households. The only tenants to be excluded are registered sex offenders.

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

HOME: The City has \$1,123,728 in HOME entitlement, program income, and repayment funding available, as of February 19, 2025. The City may also award HOME funding from the future FY2025-2026 award year, if funded via U.S. Department of Housing and Urban Development (HUD). The City has been awarded approximately \$350,000 in new HOME funding over the past five years, although 25% of the award must be reserved for administration and Community Housing Development Organization (CHDO) set-asides. This would leave approximately \$262,500 in additional funding that could be awarded to the project, totaling \$1,386,228 in HOME funding, including additional program income and repayment revenues received from February 20 through June 30, 2025.

CDBG: The City currently has \$45,000 in CDBG funding allocated to the Affordable Housing Development program, in addition to another \$45,000 in program income as of February 19, 2025. The City may also award CDBG funding from the future FY2025-2026 award year, if funded via HUD. Outside of current commitments and staff-managed programs, the City may be able to award an additional \$55,000 in CDBG to the project, bringing the total available to \$145,000.

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 commitment timeliness deadlines.
- 2) Not approve funding for the project. HomeFront would need to secure other conventional financing to complete the project or not move the project forward.



6 3D-SPLEX EXTERIOR FRONT VIEW 1

Procedural History

- **9/26/2023:** The project was presented to the Heights Task Force.
- **4/4/2024:** A local community meeting was held at the Heights Clubhouse.
- **6/4/2024:** HomeFront and Homeword presented the project to the Community Development Board.
- **6/28/2024:** A public notice was published in the Yellowstone County News.
- **7/8/2024:** Patti Webster from HomeFront gave an overview of the project to City Council and the meeting was open for public comments.
- **7/12/2024:** A second public notice was published in the Yellowstone County News.
- **8/5/2024:** Application submitted to the Montana Board of Housing for 2025 nine percent Low-Income Housing Tax Credits.
- **10/18/2024:** HomeFront submitted an Affordable Housing Development program application to the City’s Community Development Division requesting \$1,545,000 in funding for the project.
- **12/19/2024:** The project was awarded \$6,500,000 in tax credits by the Montana Board of Housing to build 22 units of the total 101 units, leaving 79 units to be funded by the City’s Affordable Housing Development program.
- **3/4/2025:** Homeword staff and High Plains architects will attend the Community Development Board meeting to give an updated presentation on the project, discuss longevity of materials and answer questions.
- **4/1/2025:** A recommendation may be made regarding this project to prepare documents for City Council.

Project Review

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

The property is near Skyview High School. It is also close to multiple churches, many employment opportunities at businesses such as Wal-Mart, Walgreens, USPS, Albertson's, multiple fast-food restaurants, several large branch banks or credit unions and multiple convenience stores. The two larger retailers nearby have a pharmacy. Additionally, Albertson's, which is approximately one mile from the property, has a pharmacy. There are two thrift or consignment stores in close proximity. Public transportation routes include a bus stop at the intersection of Lake Elmo Drive and Sioux Lane, as well as other bus routes in the vicinity. Intermountain Health Heights Clinic is less than one mile from the project site, while Billings Clinic and St. Vincent's Hospital are less than five miles from the project site.



16 LEVEL 1-5 PLEX CD PROGRESS
1/8" = 1'-0"

Project Management, Developer Qualifications, and Portfolio Assessment

Management: HomeFront will be the property owner and will oversee the project management in conjunction with Homeword as the project developer. HomeFront will maintain ownership and oversee the management of the property.

Qualifications: The applicants' staff has significant experience in affordable housing development, construction, maintenance, and oversight. HomeFront has utilized HOME and CDBG funds since 1995 to develop affordable housing projects. Homeword has developed or preserved 35 affordable housing projects across Montana. The staff of HomeFront and Homeword have extensive experience working with HOME, CDBG and tax credit projects.

Beneficiary Involvement: The organization held a neighborhood meeting on April 4, 2024. Public notices requesting comments were published in the Yellowstone County News on June 28, 2024 and July 12, 2024. The project was presented to City Council on July 8, 2024 and public comments were requested.

Market Analysis

The property is located near the intersection of Sioux Lane and Twin Oaks Drive in the Billings Heights and is valued at \$1,177,740. The land was donated by HomeFront for the proposed project. A property appraisal is to be completed as required by the project lender.

Alignment with Consolidated / Annual Action Plan: As noted in the City's 2020-2024 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: Estimated costs to construct the project total \$25,150,658. To date, \$23,605,658 in funding applications have been submitted (see following page). The City funding request of \$1,545,000 is just over six percent of the total project budget.

PROJECT BUDGET		
Item	Bids Received	Estimated Cost
Land Purchase	Donated	\$0
Site Work	Pending	\$1,707,910
Construction		\$17,245,870
Professional Work & Fees (Architect, Attorney, Engineer)		\$845,091
Construction Interim Fees		\$991,200
Permanent Financing Fees	Business fees	\$336,300
Soft Costs		\$145,587
Syndication Costs		\$89,700
Developer's Fees		\$3,200,000
Project Reserves		\$589,000
TOTAL		\$25,150,658

LEVERAGED FUNDING		
	Leveraged Resources	Commitment Date
NWMT Capital Magnet Loan	\$2,450,000	Pending – May 2025
Glacier Bank Tax Exempt Loan	\$8,317,240	Pending – May 2025
Deferred Developer Fee	\$1,557,168	December 2024
HC Equity Non-Competitive	\$11,281,250	Pending – May 2025
TOTAL	\$23,605,658	

Fiscal Health: Funding has been secured to date for \$1,557,168 and \$22,048,490 has been applied for, but not secured to date. 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.

Subsidy Layering Review: The list of proposed costs appears to be thorough and complete. HomeFront has management and maintenance plans in place to ensure the property's long-term viability. The \$1,545,000 in requested funding is a very small percentage of the overall project costs and funding under the maximum subsidy limits. The developer, Homeword, has 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, Homeword, as a developer, is required to follow procurement regulations to obtain additional, competitive estimates through a free, open, and competitive process. The U.S. Department of Housing and Urban Development's (HUD's) 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.

Previous City Awards: The project is in alignment with previous awards granted by the City. The cost per unit for construction is \$318,362 per unit. For comparison, the cost per unit for the Mitchell Court project was \$348,902.

AFFORDABLE HOUSING PROJECTS				
Project	Developer	# Units	City Award	Year
Mitchell Court	GL Development	32	\$1,200,000	2024
Off The Streets / Western Hotel	HomeFront	60	\$450,000	2021
C & C Community: Infrastructure	NeighborWorks MT	60	\$540,000	2020
Pheasant Home	HomeFront – Owner, Homeword - Developer	16	\$554,191	2014
Sioux Lane: Infrastructure	HomeFront	32	\$262,000	2008
Westchester Square	HomeFront	3	\$200,000	2008
Sage Towers	Menola Land	20	\$175,000	2008
Southern Lights	Homeword	20	\$500,000	2006
Old Town Square	HomeFront	8	\$242,000	2002
Acme Hotel	Homeword	19	\$143,400	2002
YWCA Gateway House	YWCA	10	\$182,400	1997
Spring Gardens	HomeFront	16	\$240,000	1995

Stakeholders

This project serves households seeking housing they can afford in Billings, those experiencing homelessness, and/or those at-risk of homelessness. All individuals and families served by the project will have incomes under 80% AMI and 38% of the units will provide housing for extremely low-income households (less than 50% AMI).

Summary

An overall review of the application reveals the project is consistent with similar projects the City has funded in the past and is also in alignment with the City’s 2020-2024 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):