



Commission Memorandum

REPORT TO: Mayor & City Commission

FROM: Loren Olsen, Affordable Housing Program Manager
Martin Matsen, Director of Community Development

SUBJECT: Willow Springs Final Affordable Housing Plan.

MEETING DATE: June 17, 2019

AGENDA ITEM TYPE: Consent

RECOMMENDATION: Approve the Willow Springs Final Affordable Housing Plan.

BACKGROUND: The development will consist of 24 townhomes, with a mix of 2 and 3 bedroom homes provided. All 24 units will be affordable to families and individuals making 70% of the area median income. HRDC intends to place the subject property into their Community Land Trust in order to maintain the affordability of the units in perpetuity. To comply with the City of Bozeman Affordable Housing Ordinance HRDC will further restrict three (2.4) of the units with a deed restriction to further ensure affordability. HRDC has requested \$20,000 per unit on the first 12 units to act as a permanent subsidy that will remain with the home in perpetuity and require no subsidies from the City in the future.

For more information see their Affordable Housing Plan. This item is being reviewed as part of the final plat application for the Willow Springs subdivision 19229. CAHAB will consider this item in their regular meeting on June 12, 2019.

UNRESOLVED ISSUES: None at this time.

ALTERNATIVES: N/A.

FISCAL EFFECTS: This project is requesting \$240,000 which is budgeted in the Workforce Housing Plan.

Attachments: The Affordable Housing Plan.

Willow Springs Way Affordable Housing Plan

Development Name: Willow Springs Major Subdivision

Project Location: Sartain Street and Hoover Way

Legal Description: E1/2, W1/2, SW ¼, SW ¼, Section 35, T.1S, R5E, of PMM

Current Zoning: R-3

Current Use: Vacant

Community Plan Designation: Residential

Property Owner and Applicant:

Human Resources Development Council of District IX 32 S Tracy Ave., Bozeman, MT 59715

Contact: Heather Grenier, President/CEO

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Introduction:

HRDC seeks the use of affordable housing incentives for the Willow Springs Way development. The development is 100% affordable. The development will consist of 24 townhomes, with a mix of 2 and 3 bedroom homes provided. All 24 units will be affordable to families and individuals making 70% of the area median income. HRDC intends to place the subject property into their Community Land Trust in order to maintain the affordability of the units in perpetuity. To comply with the City of Bozeman Affordable Housing Ordinance HRDC will further restrict three (2.4) of the units with a deed restriction to further ensure affordability. HRDC has requested \$20,000 per unit to act as a permanent subsidy that will remain with the home in perpetuity and require no subsidies from the City in the future.

As discussed further in this plan the requested one time grant from the City would result in the following.

- None of the 24 units would be eligible for City funded down payment assistance
- None of the homes would be eligible for impact fee reimbursement
- None of the homes would require a non-cash subsidy lien at the time of closing

1. Number of affordable homes proposed in each affordable home category and number of market-rate homes

Willow Springs Way townhomes	
Total number of homes for development	24
Total Number of market-rate homes	0
Total Number of affordable homes	24

**It is the developer’s intent to make these homes perpetually affordable by inclusion in a community land trust (CLT).*

2. The number of bedrooms in each affordable home

Willow Springs Way Subdivision Project- Home Type and bedroom mix of Lower-Priced Homes	
Studio and/or 1 bedroom homes	0
2 bedroom homes	10
3 bedroom homes	14
Total Units	24

3. Anticipated Pricing and deed restrictions; HRDC will follow the pricing requirements of the Neighborhood Stabilization Program (NSP), which requires that all homes be sold for the appraised value. As the home’s affordability will be preserved in perpetuity via a Community Land Trust (CLT), the home’s purchase price will only reflect the appraised value of the home itself, not the value of the lot and infrastructure improvements. NSP further allows for up to 50% of the home’s price to be subsidized via a deferred second mortgage. Through this combination of the CLT and project down-payment assistance, 100% of the homes in the development will be permanently affordable and necessitate buyers to take on mortgages far below the maximum prices outlined in the City’s affordable housing ordinance. An anticipated pricing and down-payment schedule is included below. All homes will have ground leases limiting appreciation utilizing a formula that allows for a reasonable return while preserving affordability in perpetuity and requiring no future subsidization.

4. Sample pricing schedule (for discussion purposes only – actual prices will be determined via appraisal)

Appraised value:	\$220,000
Less site value:	(\$45,000)
Appraised value of home and improvements:	\$175,000 = Sales price to the buyer
Down payment assistance:	\$30,000
	<i>(Can be up to 50% of sales price, \$30,000 represents a likely average)</i>
First mortgage to purchaser:	\$145,000

*Please note that this example, for the purposes of simplicity, does not take into account any down- payment funds contributed by the buyer (NSP requires a minimum of \$1,500), nor does it take into account any closing costs.

5. Location of affordable homes in the development (lots in the plat or units within a site plan); All 24 units in Willow Springs will be affordable to individuals and families making 70% of the area median income. Please see attached exhibit.

6. Timing of delivery of the affordable homes in relation to the market-rate homes in the development; The entire project is considered affordable; therefore, no market-rate homes will be provided.

7. Marketing plan describing how affordable homes will be offered to the public; HRDC will market the homes in the same manner as our previous affordable housing developments. Our most valuable marketing tool is our homeownership education program, The Road to Home.

Through RTH, HRDC annually meets with hundreds of households seeking affordable homeownership options. In previous developments, HRDC has contracted with a realtor to list the properties via MLS. In the event that HRDC elects not to list the properties via MLS, HRDC will provide a 2.5% fee to the purchaser’s agent to encourage realtor participation. As the purchasing structure is different than the standard process, HRDC will produce a FAQ sheet to help buyers and their representatives understand the unique financing and ownership structure for the Community Land Trust.

8. Plan for construction of affordable homes in phased developments. Willow Springs will be constructed in two 12-unit phases.

9. **Any other information that is reasonably necessary to evaluate the compliance of the affordable housing plan with the requirements of this article;** As noted, the use of Neighborhood Stabilization funds to purchase the property, which will be committed to a CLT, provides HRDC the opportunity to create a development that exceeds the City's affordable housing ordinance by providing 100% affordability in perpetuity. The land trust model supports the family to attain and sustain homeownership by taking land and site development costs out of the sales price. In return, the homeowner agrees to sell the home at an affordable price to another lower-income homebuyer in the future. Consequently, the family is able to successfully own a home and build wealth, while the land trust is able to preserve the investment in the home permanently to help family after family and requires no future re-subsidization of the homes.

While HRDC is the developer of the Willow Springs it is understood that the request for a lump sum, per unit, that will remain with the home in perpetuity will preclude the Willow Springs from impact fee reimbursement. It is also understood that down payment assistance (DPA) through the City of Bozeman will not be permitted for first time or subsequent sales of Willow Springs units.

The ground lease governing the property and home includes language that addresses the situation in which HRDC were to sell the land to an institution or individual resulting in the ground lease being lifted. That language reads as follows:

3.3 CLT SALE. If the CLT transfers its interest in the Land, this Lease continues and the Homeowner becomes the tenant of the transferee under this Lease. If the CLT wants to transfer the Land to anyone other than a similar institution that shares the Goal, a nonprofit organization, charitable trust or government agency, the CLT hereby grants the Homeowner a right of first refusal to purchase the Leased Land Interest, the details of which are in the attached Exhibit: First Refusal. Any transfer of the Leased Land Interest contrary to this section is void.

This Affordable Housing Plan proposes that the non-cash subsidy required by the ordinance would not apply to any of the proposed units. A PUD relaxation would make this clear. The issue will also be addressed in the grant agreement between HRDC and the City. It is understood that the city may want to further protect the municipal investment in the homes. HRDC would agree to a deed restriction, grant agreement or covenant which would grant the city the right to intervene and arrange a new owner/leaseholder agreement and further ensure that municipal funds invested in the home, meant to stay with the home in perpetuity, would be returned to the city in the

event of a land sale resulting in the home no longer being affordable.