

Bridge Apartments Purchase

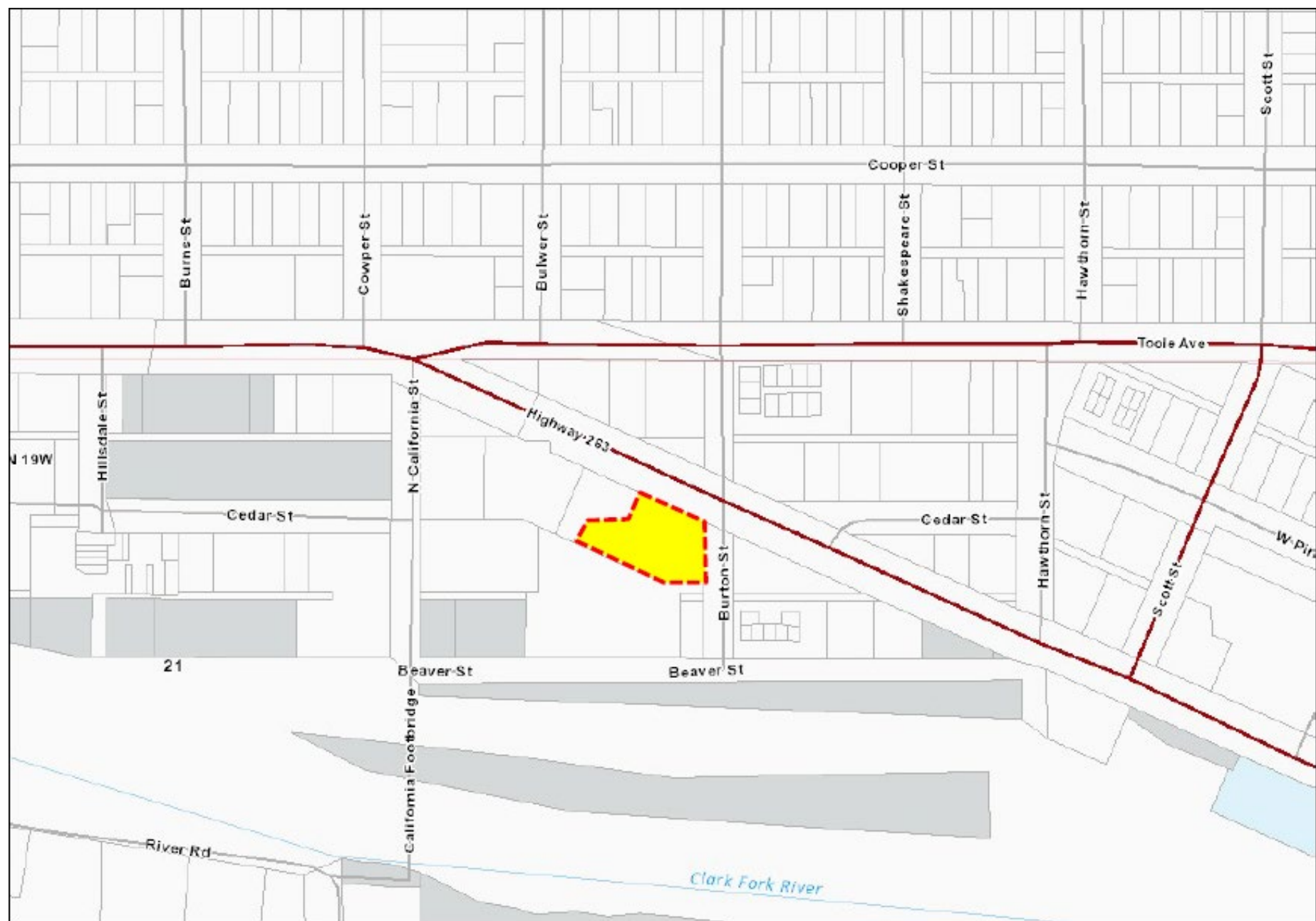


Administration & Finance Committee

September 22, 2021

Bridge Apartments, 1205 West Broadway









City Strategic Plan and Housing Plan

- City of Missoula Strategic Plan 2020-2023:
 - Provide lifesaving services for Missoula's vulnerable populations.
 - Make homelessness rare and brief ...
- A Place to Call Home 2019
 - Preserve Existing Affordable Housing

"As projects near their expiring-use date, the City should reach out to project owners to find out the owner's intentions around disposition and convene community partners around acquisition strategies."
- Resolution Number 8440 (Affordable Housing Trust Fund, 2020)

"NOW THEREFORE BE IT RESOLVED, that City Council supports the creation and funding of the Affordable Housing Trust Fund from General Fund dollars, in the amount of no less than \$100,000 annually, and requests the Mayor and staff prioritize aligning additional financial resources as appropriate into projects and programs that support A Place to Call Home, including:

 - Tax Increment Financing funds, which have historically been used to support eligible affordable housing projects, in the amount of at least \$1 million annually, made available through the MRA budget;

Terms

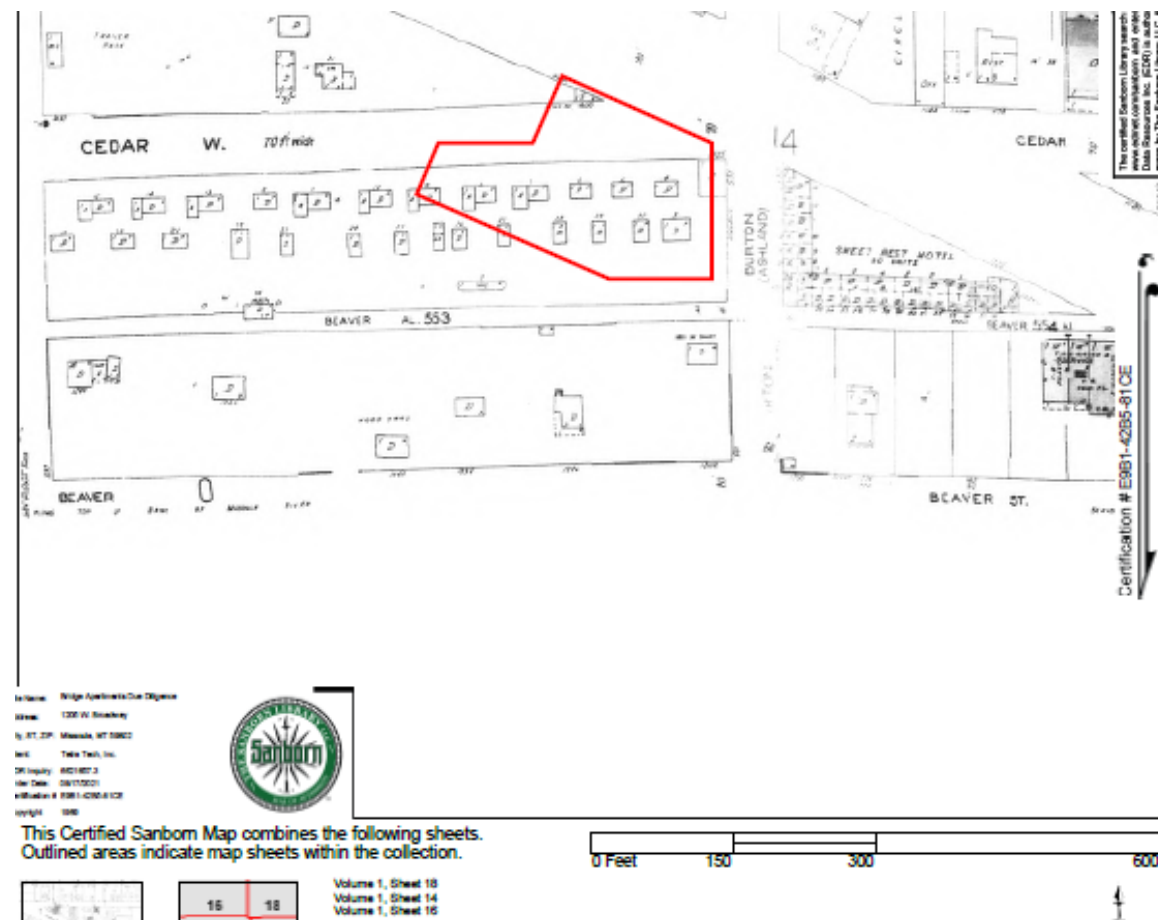
- City assumes title 9/29/2021
- City pays Western Montana Mental Health \$2,195,000
- Contingent upon:
 - City Council approval
 - Due diligence, insurance, title review
 - Appraisal
- \$25,000 earnest money

Due Diligence – Phase I Environmental Site Assessment

- Completed 8/27/21 by Tetra Tech
- Reviews site history via public records, historic photographs, fire maps, etc. to identify potential environmental hazards or liabilities.
 - For example, if the site was once a petrol station or wrecking yard.

12.0 OPINION AND RECOMMENDATIONS

Tetra Tech believes that further investigation of the Site is not warranted based on the information obtained and evaluated during this Phase I ESA.



Due Diligence – Building Inspection

2.1.3 Gutter System

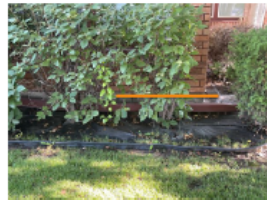
DOWNSPOUT(S) - RUNOFF IMPROPER

Recommendation / Concern

Runoff extension(s) were arranged in such a way that water may be diverted back toward the structure. Diverting water away from the building to prevent damages is recommended.

Recommendation

Contact a qualified landscaping contractor



Southeast

2.2.1 Grade Level

Appurtenances

Deferred Maintenance / Modification

CONCRETE - CRACKING (SEAL)

Cracking was observed in areas of the concrete. In order to prevent the cracking from getting worse, I recommend having the cracks properly sealed by a qualified contractor.

Recommendation

Contact a qualified concrete contractor.



North

1: Inspection Details	7
2: Grounds & Drainage	9
3: Main Structure Exterior	15
4: Main Structure Roof	20
5: Main Structure Interior, Rooms, & Stairwells	26
6: Main Structure Kitchens, Baths, & Laundry	34
7: Electrical System	41
8: Plumbing System	48
9: HVAC System	53
10: Built-In Appliances	60
11: Main Structure Foundation	62
12: Main Structure Roof Cavity, Insulation, & Ventilation	65
13: Life Safety & Accessibility	73

Due Diligence – Building Inspection

- Building is well maintained and in good condition
- Typical deferred maintenance such as
 - Trees overhang roof
 - Paint
 - Concrete spalling
- Significant concerns identified were addressed by Western
 - New boilers
 - Discoloration

Due Diligence - Appraisal

Table of Contents

	<u>Page #</u>
INTRODUCTION.....	4
Summary of Salient Facts and Conclusions	8
Assumptions and Limiting Conditions.....	12
Privacy Notice.....	15
Types of Nonpublic Personal Information I Collect.....	15
Parties to Whom I Disclose Information:	15
Confidentiality and Security:.....	15
DESCRIPTION, ANALYSIS, AND CONCLUSION.....	16
Record Owner and Brief Property History	17
Location of the Property	17
Legal Description.....	18
Definition of an Appraisal.....	19
Intended User of the Appraisal Report	19
Intended Use of the Appraisal Report.....	20
Scope of the Appraisal	20
Purpose of the Appraisal and Definition of Market Value	24
Date of Valuation.....	24
Exposure Time	25
Marketing Time.....	26
Property Rights Appraised.....	26
Regional, City, and Neighborhood Data and Analysis.....	27
Property Description	27
Site:.....	27
Site Improvements:	28
Structural Improvements:	29
Taxes and Assessments	30
Highest and Best Use.....	30
As Though Vacant:.....	31
As Improved:	33
Property Valuation.....	34
Sales Comparison Approach.....	35
Last Sale of the Subject Property:.....	36
Improved Sales Analysis:	37
Correlation and Conclusion of the Apartment Analysis:	41
Income Capitalization Approach.....	45
Potential Gross Income (PGI) Estimate:	45
Potential Gross Income (PGI) Estimate Conclusion:.....	47
Expenses:	47
Capitalization Rate:.....	48
Summary of the Direct Capitalization Analysis:.....	49
Reconciliation and Final Estimate of Value	50
Certification.....	52

Due Diligence – Appraisal

- Appraised for \$2,195,000

Privacy Notice.....	13
Types of Nonpublic Personal Information I Collect.....	15
Parties to Whom I Disclose Information:	15
Confidentiality and Security.....	15
DESCRIPTION, ANALYSIS, AND CONCLUSION.....	16
Record Owner and Brief Property History	17
Location of the Property	17
Legal Description.....	18
Definition of an Appraisal.....	19
Intended User of the Appraisal Report	19
Intended Use of the Appraisal Report.....	20
Scope of the Appraisal	20
Purpose of the Appraisal and Definition of Market Value	24
Date of Valuation.....	24
Exposure Time	25
Marketing Time.....	26
Property Rights Appraised.....	26
Regional, City, and Neighborhood Data and Analysis.....	27
Property Description	27
Site:.....	27
Site Improvements:	28
Structural Improvements:	29
Taxes and Assessments	30
Highest and Best Use.....	30
As Though Vacant:.....	31
As Improved:.....	33
Property Valuation.....	34
Sales Comparison Approach.....	35
Last Sale of the Subject Property:.....	36
Improved Sales Analysis:	37
Correlation and Conclusion of the Apartment Analysis:	41

Next Steps

- Contract for day-to-day management
- Limited solicitation to transfer ownership of the property to a partner that can manage for permanent affordability
- City Council approval of disposal

MRA Authority to Fund Acquisition

7-15-4258 Montana Code Annotated

Acquisition and administration of real and personal property.

(1) A municipality may:

- (a) acquire by purchase, lease, option, gift, grant, bequest, devise, eminent domain pursuant to Title 70, chapter 30, or otherwise any real property and personal property that may be necessary for the administration of the provisions contained in part 43 and this part, together with any improvements on the real property;
- (b) hold, improve, clear, or prepare for redevelopment property acquired pursuant to subsection (1)(a);
- (c) dispose of real or personal property;

Financing

- Internal city financing for purchase
- Missoula Redevelopment Agency Board approved deployment of URD II tax increment financing:
 - To bridge any gap between the City's purchase price and a resale of the property as permanently affordable apartments
 - Reimbursement to the City of the purchase price if a subsequent purchaser cannot be found
 - Up to \$10,000 for project management
 - If costs exceed URD II capacity City Council will be required to issue tax increment revenue bonds

Vouchers and Permanent Affordability

- Current Tenants
 - Primary goal of zero displacement
 - Partnering with the Missoula Housing Authority to place Housing Choice Vouchers on-site for all eligible households
- Permanent Affordability
 - Place a restriction on use to ensure affordability for the life of the building
 - Will work through an ownership transfer to ensure operational and capital sustainability through robust reserves