

## **Development Agreement**

This Development Agreement (“Agreement”) is between the BlueLine Development, Inc., whose principal place of business is located at 1004 South Avenue West, Missoula, MT 59801 (“Blueline”), and the City of Missoula, whose principal place of business is located at 435 Ryman St., Missoula, MT 59802 (the “City”) with regard to the re-development of the Bridge Apartments, an existing 20-unit development of rental housing located at 1205 W. Broadway, Missoula, MT 59802 (the Property”).

### **Recitals**

**Whereas**, the Property was recently owned by the Western Montana Mental Health Center, who operated the facility to house low-income residents with mental health diagnoses;

**Whereas**, the City acquired the Property on September 29, 2021, in order to continue to serve the current low-income population;

**Whereas**, the City desires to redevelop the Property to increase the density on the Property in order to ensure that it is able to provide an expanded set of housing options for the low-income population that the Property currently serves;

**Whereas**, Blueline has a history of development and redevelopment projects focused on providing affordable housing opportunities, and is interested in investigating the feasibility of redevelopment on the Property to better serve the target population; and

**Whereas**, the City desires to give Blueline time to make such investigations and understands the time commitment necessitated by Blueline to conduct the feasibility analysis and is willing to enter into this Agreement in order to take advantage of Blueline’s expertise in this area in order to seek timely redevelopment of the Property to serve the existing population.

### **Agreement**

**Now therefore**, based on the above recitals and the mutual covenants and promises made herein, which the parties agree is valuable consideration, the Parties agree as follows:

**Development Option:** The City agrees to give Blueline an exclusive five-year development option (the “Development Option”) to allow for the investigation of the feasibility of re-development of the project in a manner that maximizes density of affordable housing on the site. The City shall not offer the Property to another developer or offer it for sale during the period of the Development Option. The result of the investigation may result in an agreement to convey the property to To Be Determined LLLP, that would specify sales price, project scope, period of affordability and other terms necessary to create an income-qualified housing project agreed upon by the parties. In the event the project receives an allocation of Low-Income Housing Tax Credits (“LIHTC”) within the term of the Development Option but the closing of the LIHTC partnership cannot be completed prior to the expiration of the Development Option, the Development Option shall be extended as necessary to allow for closing of the LIHTC partnership.

1. **City Obligations:** The Property will be owned by the City of Missoula during the term of the Development Option. All capital expenditures, emergency repairs or any other costs associated with the Property shall be paid by the City of Missoula, except those costs covered by any property management agreement to be entered into between the Parties.
2. **BlueLine Obligations:** All pre-development expenses associated with investigating the feasibility of the redevelopment of the Property shall be paid by BlueLine for the duration of the Development Option.
3. **Understandings Concerning the Potential Redevelopment:** The Parties agree that at the time of entering into this Agreement, the following represents the mutual understanding of the Parties:
  - a. Redevelopment of the Property is likely to need LIHTC, which necessitates creating a LIHTC partnership entity. The Parties anticipate that the development will be owned by a To Be Determined LLLP, which will be comprised of a To Be Determined General Partner LLC, solely owned by BlueLine, LLC (0.01% owner), and a To Be Determined Investment Limited Partner (99.99% owner).
  - b. BlueLine will wholly own the To Be Determined General Partner LLC, which will be the developer of the Property in any redevelopment project pursued as a result of the exercise of the Development Option.
  - c. The Sponsor of any potential LIHTC project pursued as a result of the exercise of the Development Option will be BlueLine.
  - d. It is anticipated that the City of Missoula will coordinate securing Project Based Vouchers from the Missoula Housing Authority at the maximum payment standard available to be utilized by the LIHTC project, or at a time that is financially prudent to the existing Bridge Apartments project, subject to availability of such vouchers and the willingness of Project Base Voucher administrators.
  - e. At the end of year 15 of any LIHTC compliance period, the To Be Determined General Partner LLC will be granted the option to purchase the Investor Limited Partner's interest at the fair market value of that interest.
  - f. It is anticipated that BlueLine Construction, LLC, will be the general contractor of the LIHTC redevelopment via a Guaranteed Maximum Price contract. BlueLine Construction, LLC, may also provide bids for interim work that the City determines is necessary during the term of the Development Option. In the event BlueLine Construction, LLC, is selected for interim work during the term of the Development Option, the City of Missoula and BlueLine Construction, LLC, shall negotiate a form of mutually acceptable contract.

**4. General Terms and Conditions:**

- a. This Agreement may only be modified, amended, or terminated by mutual written agreement of the Parties.
- b. The rights and obligations granted by this Agreement may not be assigned in whole or in part without the express written approval of the non-assigning party.
- c. This Agreement and any extensions hereof shall be governed and construed in accordance with the laws of the State of Montana. The venue for the enforcement of any claims arising out of this Agreement shall be in the Fourth Judicial District of Montana.
- d. All firms doing business with any agency of the City of Missoula must be in compliance with the City of Missoula's Non-Discrimination and Affirmative Action Policy as well as Title 49, Montana Code Annotated, or forfeit the right to continue such business dealings.
- e. This Agreement represents the sole and entire agreement of the Parties with respect to the subject matter contained herein, and supersedes all prior and contemporaneous understandings, agreements, representations, and warranties, both written and oral, with respect to such subject matter.

IN WITNESS WHEREOF, the parties hereto have entered into this Agreement by their officers duly authorized as of the \_\_\_\_\_ day of \_\_\_\_\_, 2022

**BlueLine Development, Inc.**

**City of Missoula**

\_\_\_\_\_  
By:

Its:

Date: \_\_\_\_\_

\_\_\_\_\_  
By: John Engen

Mayor, City of Missoula

Date: \_\_\_\_\_

Attest:

\_\_\_\_\_  
By: Martha Rehbein

City Clerk