

MEMORANDUM

DATE: January 3, 2023

TO: Affordable Housing Resident Oversight Committee; Kaia Peterson, Executive Director, NeighborWorks Montana

FROM: Montana James, Rikki Henderson, Emily Harris-Shears, Aubrey Godbey-Community Development Division

RE: Program Year 2023 Affordable Housing Trust Fund Reserve Balance Application-Neighborworks Montana

The Affordable Housing Resident Oversight Committee and Mayor Hess approved the Program Year 2023 Allocation Plan in December 2022. The primary purpose and vision of the Affordable Housing Trust Fund is to respond to community need for housing solutions that create and protect housing options residents can afford.

To remain responsive to community needs and build a pipeline of projects in development, at least one competitive award cycle for the Affordable Housing Trust Fund is administered per year. In addition, a reserve balance can be retained to provide an opportunity to fund emergent and time sensitive projects. The reserve balance amount is set by the Affordable Housing Resident Oversight Committee during the Annual Allocation Plan process. A maximum of 20 percent of the available award balance can be reserved annually. The Affordable Housing Resident Oversight Committee opted to roll-over the unspent reserve balance funds from PY 2022 to PY 2023 to support preservation and acquisition of projects that will protect housing access and affordability.

The reserve balance is intended for urgent or emergent preservation projects/acquisitions that cannot wait until the next competitive application cycle that will preserve and/or protect affordability for residents. Applications will be vetted administratively and brought to the Affordable Housing Resident Oversight Committee. The Affordable Housing Resident Oversight Committee will have oversight of the reserve balance and will be called together for emergency meetings as needed to hear project proposals and vote on the use of the reserve balance funds. Projects that are recommended for funding from the Affordable Housing Resident Oversight Committee will be referred to City Council to authorize the mayor's approval and contract signature.

Project Scope and Policy Goals Alignment

NeighborWorks Montana applied to receive \$181,550 in grant funding to support the purchase of a 24-unit manufactured home community in the Franklin to Fort neighborhood. The requested funds will support the land purchase and preserve housing for 28 households that currently own or rent homes in the park.

NeighborWorks Montana and residents have until March 21, 2023, to complete the purchase of this manufactured home community or it will be sold to an outside buyer and likely redeveloped, which could displace the households that currently live there. While there is currently a competitive application cycle open for the Affordable Housing Trust Fund and federal funding through the unified application round, NeighborWorks Montana is requesting to use reserve balance funding for this transaction because funding decisions for the unified application round will not be finalized by the closing date for this project. It has been communicated that the current owner is not willing to extend the contract timeline and financing must be finalized by March 21, 2023.

This project supports strategies in A Place to Call Home, leveraging existing funding to support housing, and partnering to preserve existing affordable housing. The Resident Owned Community approach also supports findings and strategies from the 2019-2023 Consolidated Plan. Rents are rising and homeownership opportunities for households earning below 120% are extremely limited. Preserving 24

units of housing and protecting the longevity of homeownership strengthens the community and prevents experiences of houselessness and cost-burden.

Staff Review & Considerations

Staff have determined that the application from NeighborWorks Montana meets the administrative criteria set by the Affordable Housing Resident Oversight Committee in regard to urgency and alignment to the established use of funds. The urgency to secure funding for this acquisition is clear and does not align with the timing of the unified application round that will conclude in late spring. As documented in the application materials, this funding is a critical component of the financing stack and could determine the outcome of this acquisition.

If this request is approved, it is estimated that a contract could be routed through the Council process within four (4) weeks and meet the project's timeline.

Impact to Affordable Housing Trust Fund Balance

If the request from NeighborWorks Montana is recommended for funding, the reserve balance will have a zero balance. Staff anticipate revenue from the sale of city owned land in the spring or summer of 2023. The PY 2023 Allocation Plan directs that the Affordable Housing Resident Oversight Committee will revisit the allocation plan when revenue is received and can re-allocate funds to the reserve balance at that time. It is also anticipated that a second competitive application cycle will be administered when revenue is received, which provides further opportunity for upcoming projects to receive investment.