

Ravara Development, LLC

January 28, 2021

Email

The City of Missoula
435 Ryman St.
Missoula, MT 59802

Attn: Mayor John Engen

Re: Letter of Intent for the Development of Parcel A of the Scott Street Parcel including the Purchase and Sale +/- six (6) acres of Parcel A of the Scott Street Parcel.

Ladies and Gentlemen:

This letter of intent (the “**Letter of Intent**”) constitutes an expression of the parties' interest in developing Parcel A of the Scott Street Parcel including the purchasing and selling the Property (as hereinafter defined) on the general terms and conditions described herein. It will also serve as the basis for negotiating a definitive purchase and sale agreement and development agreement for the purchase and sale of the Property (the “**Purchase Agreement**”). This Letter of Intent supersedes all prior oral and written proposals between the parties. The proposed terms and conditions for the purchase and sale of the Property are as follows:

1. The Property. On August 14, 2020 the City of Missoula (the “**City**”) acquired the property legally described as Lot 3, Scott Street Lots (the “**Master Property**”) pursuant to instrument number 2020018320, records of Missoula County, Montana (the “**Deed**”). The Master Property has two sub parcels, “**Parcel A**” and “**Parcel B**”, which are legally described in the Deed. Parcel A, which represents roughly the east half of the Master Property, is suitable for residential development due to certain environmental remediation work which has occurred if such development is conducted in accordance with the covenants contained in the Deed. The Master Property is subject to ongoing environmental remediation pursuant to a Record of Decision, Missoula White Pine Sash Facility, MDEQ, February, 2015 (the “**ROD**”) and Missoula White Pine Sash, Remedial Action Work Plan, MDEQ, September, 2015 (the “**Remedial Action Work**”), and the Deed contains certain covenants associated with the ROD and Remedial Action Work (collectively, the “**Environmental Restrictions**”).

2. Ravara’s Parcel. Ravara Development, LLC (“**Ravara**”) shall act as the master developer for Parcel A. “**Ravara**” shall engage a firm or firms (collectively, the Design Team), at the expense of the Missoula Redevelopment Agency (“**MRA**”) to create a non-binding conceptual design for the entirety of Parcel A. This process will identify approximately +/- six (6) acres of Parcel A which will be suitable for the development of a multi-family apartment complex, neighborhood commercial units, and a unit suitable for the operation of daycare facility (the “**Property**”) as outlined in Schedule A. This process will also include planning for the remainder of Parcel A, approximately three (3) acres, which is

intended for the development of permanently affordable ownership housing in coordination with a community land trust and other partners (the “**Home Ownership Parcel**”) as outlined in Schedule B. The boundary of the Property shall be determined in good faith by the parties in coordination with the Design Team based on the goals, objectives, and process included as Schedule A (the “**Design Process**”). The City will pay all costs (including the cost of any survey) associated with the process of creating two separate divisible tracts of record, one for the Property and another for the Home Ownership Parcel.

3. Execution of Purchase Agreement. Ravara and the City shall negotiate the Purchase Agreement diligently and in good faith. Ravara and the City shall endeavor to enter into and execute the Purchase Agreement within thirty (30) days after the completion of the Design Team Process. Ravara's counsel shall prepare the initial draft of the Purchase Agreement.

4. Purchase Price. \$7.30 per sq ft of the developable square footage of the Property, all cash, in immediately available funds. The purchase price shall be paid by Ravara at the closing of the sale of the Property. Developable square footage shall not include any areas of dedicated right of way needed to create two separate divisible tracts of record, one for the Property and another for the Home Ownership Parcel.

5. Closing Date. The closing of the transaction shall occur within one hundred and eighty (180) days following the execution of the Purchase Agreement (the “**Closing Date**”). Ravara shall have the right to adjourn the Closing Date for a period of ninety (90) days for any reason or no reason. Ravara shall also have the right to reasonably accelerate the Closing Date. The closing shall be effected through a customary escrow closing.

6. Closing Costs. The City and Ravara shall split the cost of the title commitment, title policy, and other title related costs. Ravara shall pay any and all costs related to its due diligence investigation. The City and Ravara shall each pay an equal share of all clerk's and indexing fees related to the deed, and all costs of recording the deed, and any other fees and costs as is customary in transactions of this size and type in Missoula County, Montana. Each party shall pay its own legal fees and one-half of any escrow or closing fee.

7. Credits and Prorations. The Purchase Agreement shall contain customary prorations with respect real estate taxes and any and all items customarily prorated between the parties in transactions of this size and type in Missoula County, Montana.

8. Due Diligence Investigation. From and after the effective date of this Letter of Intent, and continuing until the execution of the Purchase Agreement and continuing as provided in the Purchase Agreement (the “**Inspection Period**”), the City shall allow Ravara to have access to the Master Property to investigate and inspect (at Ravara's sole cost and expense) the legal, physical, economic, and environmental condition of the Master Property, and the suitability of Parcel A for Ravara's intended use thereof. If Ravara determines, in its sole and absolute discretion, that it is unsatisfied with any aspect of the Master Property prior to the expiration of the Inspection Period, then Ravara shall have the right to terminate this Letter of Intent by written notice to the City given prior to the expiration of the Inspection Period.

No later than ten (10) days following the effective date of this Letter of Intent, the City shall provide to Ravara for its review, all material information and documentation regarding the Master Property which is in the possession or control of the City, and which is stored in an electronic medium to Ravara (the "**Immediate Due Diligence Materials**"). The City shall also make available, at Ravara's request, access to certain City archives containing additional information regarding the Master Property or the Environmental Restrictions. The City hereby represents, and shall represent in the Purchase Agreement, that to the City's knowledge, the Immediate Due Diligence Materials constitute all of the material information and documentation relating to the Master Property or the Environmental Restrictions that is in the City's possession or control.

Ravara understands and agrees that any on-site inspections of the Master Property shall occur at reasonable times agreed upon by the City and Ravara after reasonable prior written notice from Ravara to the City (which shall, in all cases, be at least 24 hours in advance) and shall be conducted so as not to interfere with the use and operation of the Master Property and rights of the City and its tenants, subtenants, licensees, or other users and occupants of the Master Property, and in compliance with the Environmental Restrictions. If Ravara desires to do any invasive testing at the Master Property, then Ravara shall do so only after reasonable prior written notice to the City (which shall, notwithstanding anything to the contrary contained above, be at least three (3) business days in advance) and obtaining the City's prior written consent thereto, which consent shall not be unreasonably withheld, conditioned, or delayed, and which consent, if given, may be subject to any terms and conditions imposed by the City in its reasonable discretion, including, without limitation, the prompt restoration of the Master Property to substantially the same condition as existed prior to any such inspections or tests, at Ravara's sole cost and expense. Prior to conducting any physical inspection or testing at the Master Property, other than a mere visual examination, by Ravara or its agents, employees, contractors, or representatives, Ravara shall deliver insurance certificates to the City evidencing that Ravara carries and maintains such general liability insurance policies with such companies and in such scope and amounts as are acceptable to the City in its reasonable discretion, and in all cases, naming the City as an additional insured party and loss payee thereunder. At the City's request, Ravara shall promptly furnish to the City copies of any reports received by Ravara relating to its inspections of the Master Property.

Ravara agrees to protect, indemnify, defend, and hold the City, its partners, members, and affiliates and each of their respective officers, directors, shareholders, employees, agents, successors, and assigns (collectively the "**Indemnified Parties**") harmless from and against any claims for liabilities, losses, expenses (including reasonable attorneys' fees), damages, or injuries actually incurred by any of the Indemnified Parties arising out of, resulting from, relating to, or connected with: (a) any inspections or testing of the Master Property by Ravara or its agents, representatives, contractors, or employees and (b) any breach or violation of the provisions of this Paragraph 8 on the part of Ravara. The foregoing indemnity shall survive the termination of this Letter of Intent for six (6) months.

Ravara specifically acknowledges that the Ravara is aware of the Environmental Restrictions on the Master Property.

9. Representations and Warranties. The Purchase Agreement shall contain representations and warranties from the City with respect to the environmental, physical, and economic condition of the Property, title to the Property, and any other matters reasonably requested by Ravara. The Purchase Agreement shall contain appropriate representations and warranties from Ravara to the City regarding the Environmental Restrictions.

10. Closing Conditions. In addition to reasonable and customary closing conditions and other contingencies as agreed to by the parties the Purchase Agreement shall contain a condition that the parties enter into agreements covering the following matters:

(a) A process to develop the Home Ownership Parcel into permanently affordable ownership housing based on the goals, objectives, and process included as Schedule B.

(b) MRA's commitment to provide Ravara with infrastructure funding support, at terms and conditions deemed reasonable to Ravara and to MRA.

(c) Covenants, terms and conditions providing for the integrated development of the Master Property and all adjacent parcels, including shared parking hosted by the City, that are controlled by the City or Ravara related to the matters identified on Schedule C, which is to be styled as a Development Agreement between the parties.

11. Termination. This Letter of Intent shall automatically terminate and be of no further force and effect upon the earlier of: (a) the mutual execution of the Purchase Agreement by Ravara and the City; (b) the date of the written notice given by Ravara terminating this Letter of Intent to the City; or (c) on August 31, 2021.

12. Exclusive Negotiations. The City shall not offer the Master Property for sale to anyone other than Ravara or enter into or continue any discussions with any third-party to acquire the Master Property until such time as this Letter of Intent has terminated in accordance with the provisions of Paragraph 11 herein.

13. Binding. This Letter of Intent is a binding on the parties in accordance with its terms.

14. Financing Contingency. Ravara's ability to enter into the Purchase Agreement, and to acquire the Property, are contingent on Ravara securing suitable debt and equity financing for the development of a multi-family apartment complex on the Property, the suitability of which shall be determined in Ravara's sole and absolute discretion.

15. Attorneys' Fees. In the event that any party institutes any legal suit, action, or proceeding against the other party to enforce the covenants contained in this Letter of Intent (or obtain any other remedy in respect of any breach of this Letter of Intent), the prevailing party in the suit, action or proceeding shall be entitled to receive, in addition to all other damages to which it may be entitled, the costs incurred by such party in conducting the suit, action, or proceeding, including reasonable attorneys' fees and expenses and court costs.

16. Further Assurances. Each of the parties hereto shall execute and deliver such additional documents, instruments, conveyances, and assurances and take such further actions as may be required to carry out the provisions hereof and give effect to the transactions contemplated hereby.

17. Entire Agreement. This Letter of Intent and all related schedules, constitutes the sole and entire agreement of the parties to this Letter of Intent 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.

18. Amendment and Modification. This Letter of Intent may only be amended, modified, or supplemented by an agreement in writing signed by each party hereto.

19. Counterparts. This Letter of Intent may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Letter of Intent delivered by facsimile, email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Letter of Intent.

20. No Assignment – This agreement is not assignable to any other party without written consent of the City.

If the foregoing terms and conditions are acceptable to you, please execute and return to us the executed letter.

Very truly yours,
Ravara Development, LLC

By: _____

Name: Dawn McGee

Title: Authorized Representative

AGREED TO AND ACCEPTED this ____ day of
February, 2021:

The City of Missoula

By: _____

Name: John Engen

Title: Mayor

Attest: _____

Martha L. Rehbein, CMC, City Clerk

Schedule A—Design Process

Ravara shall engage the Design Team to work with the City, MRA, and Ravara to perform the following:

- Establish a nonbinding conceptual design for Parcel A that is in compliance with City of Missoula zoning and development regulations for Parcel A that includes:
 - Innovative housing types that maximize density while maintaining the character of the neighborhood. This includes site footprint, building types and height, and financial feasibility for the Missoula market;
 - Commercial units that may include food and beverage retail sales, eating or drinking establishments, microbrewery or cidery operations, or other commercial units that are permitted in the applicable zoning district, but which must include, at a minimum, a daycare facility; and
 - A minimum density standard of 24 units per acre;
 - Infrastructure needed for the development including non-motorized transportation connections and open space;
 - Opportunities for sustainable building designs and energy sources within the constraints of residential affordability;
- Create the exhibits and surveys necessary to create two separate tracts of record, one for the Property and another for the Home Ownership Parcel that will be created once the City establishes the right-of-way through the parcel.
- Calculate the square footage of the Property, which will not include the City established right-of-way, in order to determine the Purchase Price pursuant to Section 5 above.
- Establish a nonbinding conceptual site plan for the adjacent City-owned parcels to implement the program from the public facing portion of the City's public works master plan that considers:
 - Shared parking for Parcel A with adjacent City-owned parcels;
 - Mitigation of the effects of public works activities on the adjacent City-owned parcels from uses at Parcel A; and
 - Potential for a shared use commercial building that includes City public works administrative activities.
- Identify and propose infrastructure improvements necessary to mitigate impacts of development of Parcel A. Identify and propose offsite infrastructure improvements that the City may implement to mitigate the impacts of development of Parcel A as well as other recent and proposed developments in the area on the surrounding neighborhood. This may include but is not limited to tasks such as a traffic impact study.
- Participate in leading a public process that engages with key stakeholders and the neighborhood on the development of Parcel A and the proposed infrastructure improvements.

Schedule B—Home Ownership Parcel Goals, Objectives, and Process

In addition to the items outlined in Schedule A that relate to the Home Ownership Parcel, Ravara and City agree to work together for the development of permanently affordable home ownership units in accordance with the conceptual design produced by the Design Process:

- City intends to convey the Home Ownership Parcel to a community land trust acceptable to City and Ravara
- For the purpose of this LOI, affordable home ownership units means units targeting buyers with an annual income of 120% of the area median income or less for the Home Ownership Parcel. The City intends for these units to maintain their affordability through the use of the community land trust model in combination with income qualification of buyers. The City does not intend to limit the subsequent sales price of such units, or use other deed restrictions beyond those necessary to establish the community land trust and income qualification parameters. The City and Ravara will work with the selected community land trust to establish a reasonable annual appreciation level that allows the homeowner to create equity while maintaining affordability for future buyers.
- Ravara will act as the master developer to convene the partners necessary to develop the Home Ownership Parcel and construct the permanently affordable home ownership units.
- Ravara will work with the Design Team to create diverse housing types in the number of units, form, and square footage that targets a range of buyers as defined by the results for feasibility in the Missoula market in Schedule A.
- City will use proceeds from the sale of the Property to provide assistance to meet community housing goals as established by the Affordable Housing Trust Fund guiding documents at this site and others throughout the community.

Schedule C—Development Agreement Parameters

Prior to closing on the Property, Ravara and City will enter into a Development Agreement incorporating findings from the Design Process to establish development parameters (size, location, amount, use, etc.) for Parcel A to address specific development requirements such as:

- Ravara to create space for a tenant to operate a daycare facility on the Property.
- Ravara to preserve space on the Property for a neighborhood commercial use.
- Shared parking agreement between adjacent City-owned lands and Parcel A.