

240-Unit Development Proposal Flynn Square Neighborhood

A Missoula Community Profit-Share Development
Providing Workforce Housing at Scale



Missoula County & City of Missoula
Sx^wtpqyen (formerly Mullan) Area Neighborhoods Master Plan
Flynn Square Neighborhood

- **CONCEPT DOCUMENT, VERSION 5/26/21** -

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THE WHAT, HOW, & WHY SUMMARY

THE MISSION

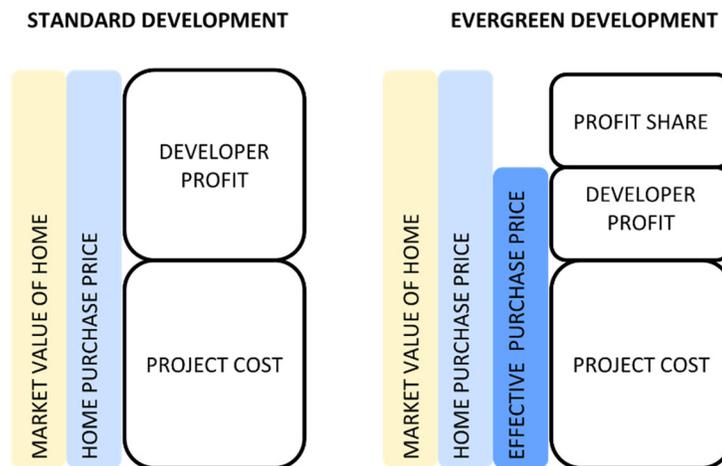
Evergreen Housing Solutions (“Evergreen”), a Montana community, workforce, and affordable housing development company, has placed land under contract with the intent of **creating 240-homes within the Sx^wtpqyen (formerly Mullan) Area Neighborhoods Master Plan**. Evergreen will entitle the land, build the homes using production building methodology, and make them available at a significantly discounted price points to cost-burdened residents of Montana.

Evergreen leverages its expertise, capital, and sense of civic responsibility to provide sustainable, affordable, and livable housing solutions, without the use of grants or public funding. Finding ways to reduce localized inequalities in wealth and housing, at meaningful scale, is central to Evergreen projects.

THE VISION

Evergreen’s Community Profit Share Model is simplistic at heart, but can be transformational in practice – **create workforce housing by sharing the project’s profit with cost-burdened Montana residents, or those relocating to Missoula for employment at established businesses or organizations**.

The benefit of the profit share to Montana residents is provided to qualified buyers in the form of a second mortgage that is forgiven after a buyer resides in the home for 5-years. Profit sharing in this manner has several benefits: 1) a reduced cost burden facilitated by the subordinate mortgage (resulting in the “Effective Purchase Price”); 2) a reduced down payment burden and elimination of mortgage insurance requirements; and 3) move-in equity upon purchasing a home.



There will be two programs for qualified buyers (“Montana Participants”); a Resident Program available to Montana residents that provides the deepest price discount (see chart below), and a Relocation Program offering a sliding-scale discount to those moving to Montana for employment at established businesses or organizations in Missoula. Each program’s wait list prioritizes qualified buyers earning less than 120% AMI. All the home inventory, in each of the home types, will be allocated to the Resident Program or Relocation Program (none sold at market).

The Profit Share Model creates a significant amount of workforce housing, is comprised of 65% of “missing middle” housing, and leverages \$10,00,000 +/- of combined Profit Share Discounts to create significant move-in equity to Montana Participants (assuming Program Set-Asides).

	2-Bd Row Home	3-Bd Home (Urban Lot)	3-Bd Home (Suburb Lot)
Total Homes	83	80	77
Average SF Per Home	1,250	1,500	1,850
Lot Size	1,800	3,500	5,500
Market Value Today [1]	\$330,000	\$404,900	\$439,000
Profit Share Discount [2]	\$42,900	\$60,735	\$74,783
Effective Purchase Price [2]	\$287,100	\$344,165	\$365,117
AMI Affordability Level [3]	89%	91%	97%

[1] Derived from Pricing in Hellgate Village Project and High/Average/Low Estimates Provided by February 2021 Market Study.

[2] Resident Program Discount and Pricing

[3] Methodology derived from conversations with Homeward Inc. and using 2020 HUD Income Limits, 30% PITI, and Projected Mortgage, Insurance, and Tax Burdens as of February 2021.

WHY DO THIS?

As a [for-profit benefit company](#), Evergreen works transparently to structure projects that **prioritize the consideration of people, planet, and profit equally**. As a benefit company, they inspire to look beyond traditional sector borders and find innovative and replicable solutions to some of society’s most intractable challenges that exist today.

Points of clarification.

- As further detailed below, the project is not utilizing tax credits or requesting any grants or soft money from any source, but is requesting a waiver or credit on impact fees from the City of Missoula for any home sold at an Effective Purchase Price affordable to buyers earning less than 120% AMI. This is the sole public or philanthropic support the project needs.
- Evergreen has spent years perfecting the ability to deliver a high quality and sustainable product at a price point below the competition. This is part of the formula that creates profits which can be shared with home-buyers.
- As per the current tax code and as structured, the cost of the profit share discount to Evergreen is not offset by tax deductions or other financial benefits.

THE IMPACT

- **Workforce Housing.** The Urban Land Institute defines workforce housing as “housing affordable to households earning between 60% and 120% of area median income (AMI)”. As Per the 2021 Missoula Community Housing Needs Assessment, “We know in Missoula that our residents who make up to 120% of AMI need support to get into secure housing.” The Profit Share Model’s current financial pro-forma indicates all housing types will be available to Montanans earning between 80% - 100% AMI. Further, each program’s wait list prioritizes everyday Missoulians earning less than 120% AMI.

Resident Program	2-Bd Row Home	3-Bd Home (Urban Lot)	3-Bd Home (Suburb Lot)
Market Value [1]	\$330,000	\$404,900	\$439,900
Profit Share Discount	\$42,900	\$60,735	\$74,783
Effective Purchase Price	\$287,100	\$344,165	\$365,117
AMI Affordability Level [2]	89%	91%	97%
Relocation Program	2-Bd Row Home	3-Bd Home (Urban Lot)	3-Bd Home (Suburb Lot)
Market Value [1]	\$330,000	\$404,900	\$439,900
Profit Share Discount	\$21,450	\$30,368	\$37,392
Effective Purchase Price	\$308,550	\$374,533	\$402,509
AMI Affordability Level [2]	95%	97%	105%

[1] Derived from Pricing in Hellgate Village Project and High/Average/Low Estimates Provided by February 2021 Market Study.

[2] Methodology derived from conversations with Homeword Inc. and using 2020 HUD Income Limits, 30% PITI, and Projected Mortgage, Insurance, and Tax Burdens as of February 2021.

- **Missing Middle Housing.** The project will include 83 row homes (constructed as 4-plexes) and 76 mid-sized 3-bedroom homes on urban lots, effectively allocating 65% of the total homes created to “missing middle” housing.
- **Wealth Inequality.** Localized wealth inequity is growing in Missoula, even as rising housing costs narrow down who can afford to live here. The Community Profit Share model directly addresses both issues, while also boosting local economic consumer growth (decentralized from the developer), by providing substantial move-in equity to Montana Participants and enabling more Missoulians to fully participate in the local housing market.
- **Home Equity.** Historically, investing in Missoula real estate has been a significant source of economic stability and mobility for many Missoulians, though many have been (or are now) priced out of the market. Montana Participants receive the difference between the Effective Price and sale price as move-in equity on day one, thus compounding the benefit of future home appreciation. Conversations are ongoing regarding how to structure the loan forgiveness to not create a taxable event for the homeowner.
- **Scale.** Assuming high demand, Evergreen will utilize modern production home building techniques to construct 240 homes rapidly in a single phase. This will provide some measure of relief to the local housing crisis (tangible benefit), and be a bright spot to celebrate in an otherwise constant stream of “negative Missoula housing news” (intangible benefit).
- **Alignment.** Lower Effective Purchase Prices equate to higher demand, which equates to lower developer risk, which incentivizes Evergreen to do larger projects, thus meeting the civic goal of increasing the local housing supply and creating impact at scale. A wholistic and inclusive benefit loop.
- **Replicability.** Cities and housing leaders throughout the West are working on the issues of workforce housing, wealth inequality, and finding ways to preserve their cultural identity while embracing change. The Evergreen model is unique, but it is simple and replicable for any city with cost-effective and civic-minded private developers as well as easily adaptable to a public-private partnership model.

STRATEGIC PROJECT DIRECTIVES

- **Collaboration.** As one of the “first-movers” in the Sx^wtpqyen Road Neighborhood Master Plan, work openly and collaboratively with the City, County, and other stakeholders to design a project that meets their goals and objectives – driving excitement for the project from conception through completion.

- **Build a Community.** Evergreen believes open space, modern floorplans, and universal site design foster stronger communities. By example, as shown in the draft site plan (Addendum 6), the project would include 7.5-acres to be programmed as a large community park, which represents 2X the minimum open space requirement while maintaining density mandates.
- **Seek Experts.** The Skyway Area Master Plan site planning and design requirements are new to Missoula, aspirational, complicated, and inspiring. Engage the most suitable and talented professionals available and seek to bring in specialists in Universal Design, urban design, and sustainable landscape design.
- **Wholistic Home Design.**

Modern production home building and the Profit Share Model don't incorporate bland or cheaply constructed homes as way to control cost.

Homes will be designed that maximize marketability, sustainability, accessibility, livability and function, façade transparency, materiality, and construction efficiency. Blending modern design aesthetics with the Montana climate and lifestyle.

- **Drive Timelines.** Strive to find ways to engage City support and/or shorten the entitlement and permitting phases, thus reducing project risk and cost, and bringing much needed housing online quicker.
- **Cost Containment.** Contain costs by leveraging the principles and advantages of scale, production building, direct and bulk material procurement, and Evergreen's unique way of working with general contractors and subcontractors.
- **Targeted Unit Mix.** Provide a mix of home unit types, with at least 50% allocated to "missing middle," resulting in a range of home prices, while adhering to the principles of production building.
- **Transparency:** The Community Profit Share Model is a new concept and not been tested by Evergreen for community impact, relies on the assumption there will be high consumer demand at the Effective Price Points, and that changes in the economy will track historical outcomes.