

A photograph of historic brick buildings in Butte, Montana. In the foreground, a tall, multi-story red brick building with classical architectural details like columns and a pedimented roof is prominent. To its left, a shorter, lighter-colored brick building is visible. In the background, a hillside is dotted with more buildings, including a notable white building with a tall, dark, pointed tower. The sky is a clear, pale blue.

STRATEGIC PLAN

2021-2022

Butte Historic Trust



Contents

Introduction	4
Timeline	5
Definitions.....	6
1. Organizational Structure	7
Single Member LLC	7
Board of Managers	7
Staff	7
Action Steps	8
2. Property Selection Criteria.....	9
Geographic Location.....	9
Historic Significance	9
Neighborhood Impact	9
Scope of Work	10
Return on Investment	10
Property Sourcing.....	10
Legal Issues.....	11
Action Steps	11
3. Individual Project Development.....	12
Preconstruction	12
Construction.....	13
Marketing Property for Sale	14
Action Steps	15
4. Funding.....	16
Capital Funds.....	16
Capital Funding Sources	16
Operating Expenses.....	16
Operating Funding Sources	17
Project Financing	17

Project Funding Sources	18
Action Steps	18
5. Operational Sustainability	19
Financial Longevity	19
Measurements of Success	20
Action Steps	20

Introduction

This document outlines the steps that Butte Historic Trust will take in order to meet its goal of setting up operations and rehabilitating two properties during its first two years. It is a companion document to the feasibility study, and it provides succinct, task-oriented guidance to staff and board members.

Butte Historic Trust, a subsidiary of Butte Citizens for Preservation and Revitalization, is a property redevelopment program established to save Butte's historic buildings and revitalize its neighborhoods. Formation of the Trust helps realize the mission of Butte CPR to protect Butte's built heritage. Through the Trust, Butte CPR will be able to play a more active role in the fate of at-risk historic buildings. With a reserve of liquid capital, the Trust will have the ability to buy, rehabilitate, and resell such properties to sympathetic buyers before the buildings are lost.

While long-term goals include rehabilitating multiple properties each year, exploring multi-family and commercial projects, and diversifying financing techniques, it is vital for the program's viability to establish an early track record of success. This allows the Trust to gain experience, solidify finances, and establish a positive reputation in the community.

A promising start of the Trust depends on its success with both its capital and recruitment campaigns. The Trust must meet its target fundraising goal and assemble a skilled and dedicated Board of Managers. Ongoing success in Trust operations depends on creative fundraising, hiring a capable staff member, carefully vetting properties in which to invest, and regularly evaluating the organization's strengths and weaknesses.

Timeline

- **February 2020:** 1772 Foundation awarded grant to Butte CPR to develop feasibility study for historic properties redevelopment program in Butte.
- **September:** Feasibility study completed. Strategic plan outlined.
- **December:** Strategic plan completed. Capital campaign initiated with grant applications.
- **January 2021:** Initiate search for Board of Managers members.
- **February:** First meeting of Board of Managers.
- **March:** Hire staff to manage daily affairs. Create LLC. Begin process of forming an Opportunity Investment Cooperative.
- **April:** Transition control of organization from steering committee to Board of Managers.
- **May/June:** Select and acquire first property for rehabilitation.
- **Summer/Fall:** Construction on first project.
- **By End of 2021:** Host workshop on funding techniques for property redevelopment programs.
- **By Spring 2022:** Sell first property. Select and acquire property for second project. Begin selling shares in Opportunity Investment Cooperative.
- **By End of 2022:** Complete and market second project. Develop a plan to expand the program to rehabilitate multiple properties each year.

Definitions

At-risk properties - Historic buildings that face the imminent threat of irreparable harm, typically through neglect or demolition.

Stabilization - The shoring up of a building's structure or envelope to arrest significant, ongoing deterioration.

Rehabilitation - The process of returning a property to a state of utility, through repair or alteration, which makes possible an efficient contemporary use while preserving those elements of the property that are significant to its historic, architectural, and cultural values.

Neighborhood revitalization - The process through which a contiguous group of city blocks undergoes significant improvement to the quality of life of those who live and work within it. This may entail safer, more vibrant neighborhoods and fewer vacant or dilapidated buildings.

1. Organizational Structure

Butte Historic Trust will be formed as a single-member limited liability company (SMLLC), wholly owned by Butte CPR. A Board of Managers will oversee the SMLLC, and a half-time staff member will execute daily operations. Construction work will be contracted out, and volunteers will play a key role in supporting the efforts of the organization.

Single Member LLC

Forming an SMLLC allows Butte Historic Trust to operate under the umbrella of Butte CPR, including its 501(c)(3) tax status, while insulating Butte CPR from any financial liability that may occur over the course of Trust activities. To further protect both Butte Historic Trust and Butte CPR, the Trust will purchase general liability and other insurance as necessary prior to acquiring its first property.

Board of Managers

Butte Historic Trust will be operated by a seven-member Board of Managers. Composition of the board will emphasize expertise in real estate, construction, law, and finance. At least one member will also be a member of Butte CPR, and, if possible, one board member will be from the public sector, such as the Butte-Silver Bow Historic Preservation Office, the Historic Preservation Commission, Superfund Advisory and Redevelopment Trust Authority, or the Urban Revitalization Agency.

The board is responsible for all aspects of Butte Historic Trust. To facilitate operations, the board will adopt policies and procedures that govern how the organization will function. These include accounting procedures, financial policies, self-assessment procedures, and hiring policies.

Staff

A half-time administrator will be hired to manage the logistics of acquiring and selling properties, help produce bid documents, coordinate with the Board of Managers, fundraise, apply for grants, conduct public outreach, and recruit and manage volunteers.

Action Steps

- Develop description of board member roles and duties (Steering Committee)
- Recruit board in late January 2021, hold first board meeting in February (Steering Committee, Board)
- Appoint board officers (Board)
- Hire half-time administrator by March 2021 (Board)
- File paperwork with the Montana Secretary of State's office to form the SMLLC (Staff)
- Purchase general liability insurance (Staff and Board)
- Dissolve steering committee once transition of operations to Board of Managers and staff is completed (Board)
- Adopt general operating policies and procedures (Board)

2. Property Selection Criteria

Butte Historic Trust will use a full spectrum of selection criteria to identify, compare, and select the most worthwhile properties to rehabilitate. The main selection criteria are in five categories: geographic location, historic significance, neighborhood impact, scope of work, and return on investment. The Board of Managers will use these categories to vet potential properties, and, ultimately, to determine whether to pursue a project. If a property is facing imminent demolition, it will be given first consideration over its alternatives.

Geographic Location

Butte Historic Trust will focus on historic Uptown Butte when selecting projects. This area can be defined as the portion of Butte included in the Butte-Anaconda National Historic Landmark District. The Urban Revitalization Agency district lies within this area, and structures in the URA district may qualify for additional grants or loans. Properties that lie outside the NHLD may be considered for rehabilitation by the Trust if they hold special historic significance or are deemed at risk.

Historic Significance

Properties must be of Pre-World War II construction (built no later than 1942). When comparing potential projects, preference will be given to those with historic significance and those built in unique or underrepresented architectural styles. The Historic Preservation Officer may be able to provide considerable insight into these factors on a project-by-project basis.

Neighborhood Impact

Neighborhoods in Uptown Butte vary in consistency. Some neighborhoods are composed of primarily owner-occupied buildings, while in others absentee owners are the norm. In many areas, well-kept, owner-occupied properties standing side-by-side with distressed, absentee-owned structures are commonplace. The board will consider potential neighborhood impact when evaluating project properties. Structures that are highly visible, or are in areas where historic rehabilitation could stimulate revitalization, will be given preference. Fringe areas, where consistent neighborhoods fade into inconsistent neighborhoods, can provide excellent opportunities for investment and impact.

Scope of Work

With skilled trade labor in Butte at a premium, the scope of work entailed in the rehabilitation of a particular property will be considered when comparing and selecting potential projects. Buildings that require extensive work in high-demand skillsets must be avoided for the sake of timely project completion. For example, because qualified masonry contractors are typically committed to other projects up to 12 to 15 months in advance, a structure requiring extensive masonry work must be dismissed from consideration, unless it is in imminent danger of demolition. In the program's nascent years, projects that need significant structural work must be avoided due to scarce, costly labor. Again, if a structure under consideration is in danger of demolition, and if emergency intervention is deemed necessary, exceptions may be made.

Return on Investment

Initially, Butte Historic Trust will focus on single-family homes. As the program matures, multi-family and commercial properties may be considered. Currently, the homes that are selling the fastest, with the greatest return on investment, have 2-3 bedrooms, 1-2 baths, and roughly 800-1,500 square feet. Properties that match these parameters will be given priority. Projects smaller or larger than this will not be as financially rewarding at the beginning stages of the program. The board will need to define a minimum ROI for each project. If a potential project does not meet the defined ROI, it should not be pursued unless other overriding factors are present.

Property Sourcing

In the current local real estate market, acquiring project properties through conventional channels will likely not be feasible. Reliance on alternative channels will be essential to acquire properties at prices that leave room for a profit. These channels include: bulk property owners, such as landlords, looking to downsize or liquidate; estates or entities looking to donate properties for tax incentives or liability relief; and county-owned properties that are auctioned for taxes or promoted via Developer's Packet. Bargain sales, in which a combination of payment and tax-deductible credit are offered, may also be used if a property owner is amenable. For example, the owner of a property with a fair market value of \$20,000 may be willing to accept \$15,000 cash and a \$5,000 tax deduction. Contracts for deed and purchase options may also be productive strategies for acquiring property when the marketplace allows.

Legal Issues

Prior to acquiring a property, the Trust must screen the property for potential legal issues. The Trust must establish working relationships with both Butte-Silver Bow and title companies in order to provide insight into any outstanding liens or other ownership-related issues. A property cannot be further pursued until the title is determined to be unencumbered.

Action Steps

- Develop property selection checklist (Staff and Board)
- Develop list of contractors and subcontractors with relevant skillsets (Staff and Board)
- Identify deal breaker property repairs (Staff and Board)
- Create Pre-Purchase Scope of Work Guide (Staff and Board)
- Determine minimum project ROI criteria (Board)
- Establish point of contact with county, title company, and realtor (Staff)

3. Individual Project Development

To ensure successful project completion, each project that Butte Historic Trust undertakes will follow the same trajectory, from preconstruction through construction to marketing. Projects will be developed and executed according to established preservation standards advocated by the Butte-Silver Bow Historic Preservation Officer and Historic Preservation Commission. Under circumstances where simple building cleanout and mothballing is appropriate, some preconstruction and construction tasks may be abbreviated or obviated. In all cases, marketing tasks will be followed as outlined.

Preconstruction

For each project, staff (or a volunteer with extensive rehabilitation experience) will develop a detailed rehabilitation plan that will be incorporated as part of the contract specifications, as well as a *pro forma* financial statement that will forecast the project's expected financial result. A 15-20% contingency will be factored into estimated project costs. Staff will name specific sources of project funding, such as Trust reserves, Butte-Silver Bow grant or loan programs, an investment cooperative, or other. At the same time, staff will initiate title work to determine whether the property has any encumbrances. The Board of Managers will consider the plan and *pro forma*, verifying the availability of sufficient funds (either on hand or readily accessible) prior to project approval.

Upon board approval, staff will prepare a request for quotes, distributing it to a minimum of three parties. The Trust board and staff will review all bids and general contractor qualifications. The Trust will give preference to contractors with historic preservation experience or, at a minimum, a proven track record for strict adherence to contract specifications. The board will make the final decision regarding contractor selection.

After contractor selection, each project will begin by assigning a Project Inspector whose job will be to ensure project success by adherence to schedule, contractor bid, and preservation standards. Depending on the size of the project, the Project Inspector may be a staff member, paid consultant, or volunteer. They will have a strong understanding of the Trust's administrative staff and Board of Managers' intentions regarding the particular project to which they are assigned.

In support of the Project Inspector, the Board of Managers will organize a Technical Advisory Committee. The committee's role is to make binding decisions on all aspects of construction in case of a disagreement between the Project Inspector and contractor. The committee will be composed of no fewer than three individuals, and will include at least one member from the Trust's Board of Managers, one construction or historic rehabilitation specialist, and one individual with a background in banking or finance. Prior to selection, committee members must disclose potential conflicts of interest associated with either the selected contractor or Project Inspector.

Construction

Butte Historic Trust will depend on routine inspections and progress reports to ensure timely and successful project completion. At the same time, it will use ongoing work to demonstrate to granting agencies, investors, and the public the value and professionalism of the program.

The Project Inspector will review project progress on a weekly basis during active construction. The inspector will be responsible for calling meetings of the Technical Advisory Committee when deemed necessary by either the inspector or general contractor. The inspector will report project progress at the Board of Managers' regular monthly meeting. The board is encouraged to authorize the inspector to approve minor change orders that will not significantly impact overall project scope, schedule, or cost. However, the inspector may request a special meeting if emergency action is needed. This might include large and unexpected conditions that will require contract amendment or addendum. The inspector is responsible for final project acceptance, under guidance of both staff and the board.

As the project progresses, staff will ensure that the inspector and board regularly meet their oversight obligations, that the terms of grants are being met, that reports are regularly filed, and that invoices are correctly routed for timely payment.

At the same time, staff will develop a project-specific deed restriction/preservation easement. As routine business, the board will review for approval the general guidelines of the restrictions to be attached to a property's warranty deed at property sale, such as length of term and party responsible for guidance and enforcement. For each project, staff will ensure that the deed restriction explicitly identifies items determined to be necessary, such as a listing of key architectural elements that cannot be altered or removed, whether any additions are allowed, and the specification of acceptable materials.

Finally, staff will continue to actively promote the Trust's mission and program specifics by making available on-site visits, distributing public notices of progress, and other methods. These actions will encourage the future participation of granting and loaning agencies, and will also connect the Trust with potential donors and future project building owners.

Marketing Property for Sale

As a project approaches completion, staff will initiate its marketing task. In the current high-demand market for residential property in Butte, initial efforts should focus on a private sale. To accomplish this, staff will post listings on Butte CPR's website, hold open houses, encourage word-of-mouth advertising, and pursue similar avenues. In addition, when possible, a property undergoing rehabilitation will be included in Butte CPR's annual Dust to Dazzle tour of historic homes. This strategy allows the staff to closely vet interested parties regarding their understanding of historic preservation practices and the requirements of a planned deed restriction. If an offer has not been received within 30 days, staff may work with a realtor to gain placement with a Multiple Listing Service.

In rare instances, a property may be promoted to known or suspected Opportunity Zone investors. Opportunity Zone investor marketing may supplement other private sale or MLS listing efforts if the board decides to pursue an individual project that requires minimal financial investment and is limited in scope to cleanup and minor partial demolition. Such a property may be attractive to specialized developers who must operate under strict federal guidelines about future project investment in relation to property acquisition costs.

The board will have the final decision on the selection of the new owner, and its chair will sign the deed at closing. Staff will ensure that the deed, which includes restrictions and the preservation easement, is properly filed.

Action Steps

- Develop standardized checklist of property attributes, including structural integrity, condition of mechanical systems, and presence of asbestos (Staff and Board)
- Develop detailed rehabilitation plan and *pro forma* (Staff and Board)
- Prepare and distribute request for quotes (Staff)
- Evaluate and select contractor (Board)
- Identify Project Inspector and Technical Advisory Committee (Board)
- Conduct routine inspections and report progress to board (Project Inspector)
- Ensure timely project-specific administration (Staff)
- Incorporate project-specific restrictions in a preservation easement to be placed on warranty deed at property sale (Staff)
- Actively promote Butte Historic Trust's mission and program by project-specific visitation and public progress reports (Staff)
- Market property sale via private listing or MLS (Staff)
- Ensure that potential new owners are committed to historic preservation standards and aware of the terms of the deed restriction and preservation easement (Staff and Board)

4. Funding

Raising capital to establish the program fund, and careful fund management, will be vital to sustaining a successful property redevelopment program. Over the first two years, the board and staff will actively seek additional funding sources to grow the program fund, and will establish effective practices for managing and investing funds in projects. The Trust will need to budget for operating expenses, including a half-time staff member, while effectively leveraging funds for specific projects. Staff and board members will be responsible for continued fundraising and promotional efforts to capitalize, maintain, and expand the program.

Capital Funds

Butte Historic Trust will raise a target amount of \$200,000 to capitalize the program. These funds will be used to fund acquisition and construction of the first project. They will also be used to pay for a portion of operating expenses during the first year.

CAPITAL FUNDING SOURCES

- **Butte CPR** — \$15,000.
- **1772 Foundation** — Applying for \$100,000.
- **SARTA** — Applying for \$80,000.
- **Donations** — Goal of \$5,000. The Trust will reach out to potential donors as part of its initial announcement to publicize the program.

Operating Expenses

Running a property redevelopment program will entail expenses beyond the direct costs of acquiring, rehabilitating, and reselling properties. In its initial two-year plan, Butte Historic Trust will budget \$30,000 annually for operating expenses. The largest operating expense will be the half-time staff member's salary, about \$26,000 per year. The remaining \$4,000 will be used for office supplies, accounting and legal fees, and miscellaneous costs such as web hosting and design and teleconferencing fees.

Staff time related to project-specific activity will be considered a project expense, and will be paid for out of project funds. In general, grant opportunities for operating expenses are limited. Profits from Trust activities will first be allocated to operating expenses, with the remainder going toward future projects.

OPERATING FUNDING SOURCES

- **1772 Foundation unexpended grant funds** - Approximately \$4,500 remains from the feasibility study grant. The 1772 Foundation has approved the use of these funds for operating costs.
- **Capital Fund** – About \$20,000 of the capital funds raised will go toward first-year operating expenses.
- **Montana Cultural Trust Grant** – Applying for a two-year grant for \$3,000-4,000 per year for operating costs. This grant is available on a biennial basis.
- **Project Profits** – Profits from selling rehabilitated properties.

Project Financing

Each project will need to generate a modest return on investment to cover operating expenses, and to support the long-term sustainability of the program. Staff will put together a financial package for each project, using the program fund to leverage grants and low-interest loans to reduce the Trust's out-of-pocket financial burden. URA grants, which cover 25% of eligible costs, will be a key funding source for eligible projects. The Trust will complete detailed project planning and secure all project funding before moving forward with major rehabilitation activity.

The Trust will work with the Montana Center for Cooperative Development to form an Opportunity Investment Cooperative (also known as a Rural Investment Cooperative). The cooperative will facilitate the investment of private funds in individual historic rehabilitation projects in Butte, offering a modest return of up to 6%. The Trust anticipates a one-year development timeline for establishing the cooperative, with the cooperative ready for investment in its second rehabilitation project in the spring of 2022.

In the first year of operation, the Trust anticipates undertaking a project as the sole equity investor. However, the board recognizes the need to employ an array of funding techniques in order to leverage its funds effectively and grow the program. In order to learn about funding techniques used successfully elsewhere, the board will host a workshop during 2021 featuring staff from other property redevelopment programs.

PROJECT FUNDING SOURCES

- **URA Grants** – Grants for up to 25% of eligible costs for projects within the URA boundary. The URA also offers loans for projects that cannot secure traditional financing.
- **Montana History Foundation** — Yearly grants of up to \$10,000 for historic preservation projects.
- **Bank Loans** - Typically up to 80% of appraised after-repair value.
- **Opportunity Investment Cooperative** – Goal of selling shares to private investors starting in the spring of 2022.
- **Project-Specific Donations**

Action Steps

- Complete capital campaign (Steering Committee)
- Assemble financing package, including URA grant and bank loan as applicable, for each project (Staff)
- Develop Opportunity Investment Cooperative (Staff and Board)
- Organize workshop on funding techniques (Staff)
- Solicit private donations for rehabilitation projects (Staff and Board)

5. Operational Sustainability

Continuation of program activities is contingent upon several factors. Financial success is required in order for the program to continue its work. However, while crucial to the program's survival, financial solvency is not the end goal. The success of the program can be measured by how it achieves its mission of preserving historic buildings in Butte and positively affecting the local economy.

Financial Longevity

Program funds must increase year-over-year for the program to be self-sustaining. Capital growth should not only beat inflation, but should also allow the program to continue at full capacity within Butte's evolving real estate market. After fund maturation, an annual growth rate of 15% or more, based on the rate of residential market appreciation, will suffice as a bare minimum. However, as stated in the Funding chapter, a more aggressive growth rate will be necessary to properly operate and expand the program in the first few years. Regular review, complete knowledge, and full transparency will be in the Board of Managers' best interest to protect and grow program funds. For this reason, briefings about the state of program finances should be a regular agenda item at board meetings.

In the midst of busy daily operations, it can be difficult to keep an eye on the long-term financial status of the organization. To assist with this, the board and staff will monitor these four areas that are indicators of financial sustainability:

- Income diversification – Avoid dependence on a single revenue stream by developing a mix of external funding sources, such as grants, donations, and investment cooperative memberships
- Strategic and financial planning – Adopt a long-term financial plan and regularly update the strategic plan
- Sound administration and finance – Adopt financial management processes, a financial policy, and evaluation procedures
- Income generation – Generate profits from successful rehabilitation projects and offer consulting services for a fee

Measurements of Success

Standards come in all shapes and sizes, but should be representative of all the ways the Trust's performance affects not only its own financial sustainability, but also Butte itself. To this end, a rubric for program success can be constructed using the broader outcomes of its successful projects. Dollars spent within the community, jobs created or supported, tons of demolition waste diverted from the landfill, and historic properties given renewed purpose will all be tracked. For example, the URA tracks its impact and has determined that for every dollar it invests in historic rehabilitation in Uptown Butte, \$1.73 is returned to the community. The Trust will similarly calculate its impact in the categories named above, because these are some of the standards the community will use to evaluate the program.

These metrics, among others, constitute the program's scorecard, which will be used to evaluate its performance on an annual basis. A committee composed of board members, who must grade the program's performance over the previous year, will conduct this evaluation. Findings will be presented to the board, calling out highlights, lowlights, meaningful comparisons to previous years, and any trends that may require the program to adjust course.

Action Steps

- Appoint a treasurer to track finances and report at board meetings (Board)
- Adopt an annual budget (Board)
- Adopt a financial policy (Board)
- Adopt accounting and grants management processes (Board)
- Conduct an annual financial self-assessment (Board)
- Adopt a long-term financial plan (Board)
- Update the strategic plan on a regular basis (Board)
- Develop objective standards for evaluating program success (Board)
- Annually evaluate program performance using adopted standards (Board)
- Review findings, propose new strategies, and share results with the community (Board)