Missoula Housing Policy
Public Education & Outreach Technical Working Group

Meeting 1 Notes [10/2/18]

Introductions

Work Group Members

Lori Davidson
Hermina Harold (absent)
Kaia Peterson
Jim Morton
Heather McMilin
Noreen Humes
Melissa Gordon
Lori Davidson

Update on the Process To-date

- The Werwath Associates "Making Missoula Home" report was release in January 2018
- The Housing Policy Steering Committee was formed and reviewed the recommendations in that report; provided guidance.
- In August and September the seven Technical Working Groups (TWGs) were formed. This kicks off Phase II of the Housing Policy efforts.
- Phase II will consist of community outreach and engagement and ultimate recommendations presented to City Council. This is slated for early 2019.

The Group Purpose and Charter

Group Purpose
To adapt our regulatory environment in response to rising home prices in an effort to increase both housing supply and diversity of housing type.

Goals & Deliverables

1.1 Create a coordinated set of affordable housing development incentives tied to home price and rent targets

- Outcomes: Recommendations to amend Title 20, draft public land disposition policy, recommendations for fee-based incentives; Work in coordination with Regulation & Code TWG.
- Funding initiatives and incentives.
- Maximizing CDFI

2.4 Better leverage Low Income Tax Credits (LIHTC)

- City Policy for land disposition and TIF funding; Policy directives for HOME/CDBG allocation process.

4.4 Develop affordable housing preservation program

- Mobile Home preservation
    - Who owns the parks and what is their timetable/goals?
- Affordable multi family preservation
    - Focus on Sun setting properties
        - LIHTC
        - CDBG & HOME
        - Deed restricted affordable rentals
- Affordable homeownership opportunities

Potential risks

- Displacing affordable housing to build affordable housing
- Underlying zoning and concentrations
- Less than 10 unit developments
- 10-25 units with regards to transaction costs
- Where are the current affordable units and who hold the power with them?

HOUSING AND COMMUNITY DEVELOPMENT

400 RYMAN MISSOULA, MONTANA 59802-4297

Meeting 2 Notes [10/16/18]

Introductions

Work Group Members

Lori Davidson
Hermina Harold
Kaia Peterson
Jim Morton
Heather McMilin
Noreen Humes
Melissa Gordon
Lori Davidson
Colin Woodrow
Eran Pehan
Montana James
Sean Kopetz

Introductions with Daniel

Overlap with Public Education

- Rebranding "Poverty Housing"
- Use metrics- $11/hr (Not the actual low income rate)
- What are Metrics to use for achievable housing? How can they be intertwined with marketing plans?
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Goals & Deliverables

- **Maintaining Affordable Housing**
  - Mobile Homes
  - Expiring Affordable Housing Units
  - Tax Credit Houses
- Interviews with developers
  - Tax support incentives
  - Land use alignment
- What can be achieved at the local level and what is state legislative barrier?
- Zoning
  - Developers vs Neighborhoods
- Priorities and Opportunities for Preservation

- Identify current units
  - Who owns them?
  - When do they expire?
  - Who can/will want to buy them?
- Deed restrictions?
  - How are deeds lost to the market?
  - Who owns deed restricted properties?
  - When are sunset dates (city look up)
  - Rehab and maintenance opportunities/incentives
  - 223F HUD
  - No 9% LIHTC
  - Bond Financing?
- Tracking naturally occurring affordable housing
- Land, resource leveraging
  - 501c3 bond
- How can the city create “ready to build” parcels
  - Infrastructure
  - Deliberate density and land use
- Uniform Funding Application
  - How can the city vet apps to maximize funding sources?
  - Can city use state funding with less restrictions when sub loaned?
- Balance of new development and maintenance and rehab projects
- Housing trust Fund
  - Flexible use of money
  - Filtering funding in and out to build capacity and avoid restrictions (CDBG & HOME)
- Try to cut down on extra nonprofit spending
  - Designers
  - Staff funding drain
- Create revolving housing fund
  - Opportunity for homeownership
  - Flexible funding uses
- Ballot Initiative?

Tuesday, November 13th, 2018
1:00-2:00 pm
Hal Fraser Conference Room

Introductions

Work Group Members

Lori Davidson
Kaia Peterson
Jim Morton
Eran Pehan
Colin Woodrow
Sean Kopetz

Review Preservation Property List

- Need to identify the easiest method with the most reward for preservation. ROCKS- time consuming. It is easier to build relationships with owner/contacts
- Right of First Refusal
- Building Priority
    - Sunset dates vs date for rehab
    - Could units be offload if the market is high enough?
    - How to rehab and secure units
        - State tax credit- 2-23F HUD
        - Watch Property Debt Services
        - HOME & CDBG
            - Affordability Requirements make funding challenging
    - Rotating Fund
        - Rehab LIHTC
        - Develop Replacement Reserves, staring using 2-23F
    - Investors are out by the time rehab is needed
- What to look for in preservation priorities
    - Zoning- Number of possible units
    - Age of Building
    - Existing infrastructure and utilities
    - Date of Last sale
    - Average rent
    - TIF district
    - Vacancy rate
    - Homeownership opportunity
    - 4 or 8-plex
    - Scale and cost factors

    - Subsidy amount required per unit

Review Criteria for High Opportunity Zones for Innovative Development Models

- Acreage- 1-5 acres (10 sites) with a scalable model
- QTC for LIHTC
    - 9% not required
    - 4% likely required
- New Market Tax Credits
    - Minimum 30 units
    - $5-$6 Million project
    - Townhomes
    - Scattered sites
        - Requires Construction Efficiency
    - Maximum Subsidy Per unit while also considering subsidy caps
- Goals:
    - Mitigate Risk
    - Use land donation to attempt new models
    - Demonstrate New Market Demands
    - Lower uncertainty in new projects for construction companies

Upcoming Projects

- Affordable Housing Focus Groups
    - Small Scale Developers
        - TEDs
        - ADUs
    - Large Scale Developers
    - City Staff- What are buried, underused or under maximized incentives
- Develop Robust Incentives Package
- Develop an Assessment Framework with markers of successes

HOUSING AND COMMUNITY DEVELOPMENT

400 RYMAN MISSOULA, MONTANA 59802-4297

Tuesday, November 27th, 2018
1:00-2:00 pm
Hal Fraser Conference Room

Introductions

Work Group Members

Lori Davidson
Kaia Peterson
Jim Morton
Eran Pehan
Heather McMillan
Noreen Humes
Mellissa Gordon
Colin Woodrow
Sean Kopetz
Daniel Werwatch (phone)

Incentives that benefit both private and nonprofit developers

- Identifying underused incentives
    - City pays impact fees, which are recaptured at time of sale through revolving loan fund. If being used for a rental, a lien can be established that is repayed when the unit goes out of affordability.
    - Utility development fees can work similarly to the impact fees.
    - Targeted partial financing of infrastructure can support development on the front end to make certain areas more desirable/easy to develop.
    - Development review and permit fees are used as a supplemental need for city departments. Must be paid.
    - Reduction of land set asides can be used to increase density, and allow more units in TEDs and subdivisions. This can be used to target extra units for people making 60-100% AMI with the deepest subsidies.
    - Need to identify how incentives may impact the market. Compensation should not occur, forcing a gap between market rate and affordable housing.
    - Density bonuses should include specific affordability requirements. Create by right incentives rather than conditional use. Current obstacles include mismatched definitions between zoning and density goals.
    - Streets and Sidewalks infrastructure requirements are necessary to maintain congruency between city neighborhoods. Could sidewalks be financed through TIF mechanisms or new sidewalk standards?

- The balance of affordable units with assured quality of life (open space, sidewalks, etc) is crucial throughout process. How can land be cleverly used to maximize community needs, such as manipulating open space requirements to better benefit the neighborhood, rather than one unit.
- Know where flexibility occurs with state funding and try to enhance and grow those funding sources for Missoula as much as possible/
- Expedited review is helpful for developers and allows for a quicker (cheaper) beginning process for development. Also increase incentives for market rate developers to have certain aspects of affordability.
- Set backs can increase density and create flexible options for unique housing developments, but would need to be assessed on a lot by lot basis
- Parking requirements could be utilized to create infill development, such as ADUs or high density multifamily and TEDs, when enough nearby parking is available. The opportunity is high but would need to be conducted on a case by case basis.
- Incentives should be focused on homebuyers up to 120% AMI and renters up to 80% AMI.

Meeting 5 Notes [12/4/18]

Introductions

Work Group Members

Kaia Peterson
Heather McMilin
Noreen Humes
Daniel Werwatch (phone)
Colin Woodrow
Eran Pehan
Montana James
Sean Kopetz

Introduction with Daniel

- The city is looking to experiment with a low barrier project, utilizing city land that creates a unique model for other developers to use strategies for new developments.

Model overview

- Incentives are aimed at creating mixed income, single family developments, utilizing market rate units to subsidize below market rate units. This is possible with low development costs (free land would be substantial enough), that can catalyze future development.
- In the model the cost of the development appraisal would be compared to the amount of income homebuyers pay which creates the lien. If the units go out of affordability, this is the amount paid back.
- Missoula's assets is having available land to reduce costs, shows city investment for master developers, and creates a fund for non-federal money with more flexible spending options.
- Streamlined development, and infrastructure options (already certified and approved) would create fewer obstacles for nonprofits. Could produce 25 units per year, but would be out of capacity for anything more than that- for profit developers needed.
- This needs a catalyst, which could come from government money- 501(c)3 bonds, to increase debt capacity.
- How can this model become self-supported and be done yearly, given a dedicated fund? Where are there still gaps in incentives and challenges with financing?

Meeting 6 Notes [12/11/18]

Introductions

<u>Work Group Members</u>
Lori Davidson
Sean Kopetz
Jim Morton
Heather McMilin
Colin Woodrow
Eran Pehan
Lori Davidson
Daniel Werwatch (Phone)

Update on the Process To-date

Expanding Consumer Housing programs

- Identifying the consumer barriers and needs in the housing market. Over 75% of qualified people want to purchase homes, but one 26% have attempted to. What are the hang ups?
- There is a lacking of consumer access and knowledge
    - Most people use online resources for home searching, which misses opportunity for financing or other incentives to be taught.
    - There are new-age financial challenges, such as student loans and other debts. Financial literacy class (Homeword) are filled up without capacity to take on more classes.
    - No opportunity to know whether purchasing is a smart move. Socially home purchasing is "the thing to do" and during downturns, it could be a bad decision for a person. How to know?
    - Low resources for services at non-profits, while nonprofits are already self-subsidizing certain work with classes that drain funding.
- Digging in: Emerging ideas
    - Centralized access point of service providers and resources
        - No Wrong Door was done years ago in Missoula, placing service provider's information in each other's offices, accompanied with monthly meetings. This could be digitalized to have a broader, more effective audience.
    - There is a willingness to collaborate within the service provider sector.
    - Should the focus be on new programs and growing capacity of existing programs
        - Can a fee for service be charged to nonprofits by the city when the nonprofit assists someone receiving city funded benefits? To a large extent this is already happening.

- The city should focus on master planning a way to most heavily support the service providers while ensuring efforts are not duplicated and