

## **Missoula Redevelopment Agency**

### **Workforce Housing Pilot Program Guidelines**

**Background:** These guidelines expand the eligible uses of TIF to include direct subsidy for workforce housing. This change is consistent with Montana Code Annotated 7-15-4283, which was amended in 2021 to include “workforce housing” in the definition of “infrastructure” that may be funded using TIF. In 2023, House Bill 819 was signed by the Governor of Montana, defining workforce housing as serving households earning between 60-140 percent of household income for the county, or state, whichever is less. The Missoula Redevelopment Agency (MRA) plans to implement its workforce housing program goals, discussed below, by partnering with developers to acquire, construct, and improve income qualified workforce housing.

**Definition of Workforce Housing:** Income qualified housing that is attainable for households earning between 60-140% of Missoula County Area Median Income (AMI), consistent with language included in Montana House Bill 819. Income qualified workforce housing includes an affordability period that is guaranteed through an acceptable method described in these guidelines.

#### **Program Goals:**

- Expand workforce housing supply in the URDs, both rental and home ownership
- Encourage creation of more mixed income developments in Missoula
- Implement City equity goals: build and preserve a diversity of unit types and sizes that align with market needs
- Implement City housing goals
- Implement City climate goals, including with building materials, energy efficiency, renewable energy, and site design
- Encourage infill development
- Encourage use of durable, long lasting materials (referenced in existing TIF grant application)
- Leverage other incentive programs or partnerships, if available

**Eligibility:** New construction projects and improvements to rent and for sale housing that serves households earning 60-140% of AMI are eligible for this program, consistent with Montana Code Annotated.

#### **Use of TIF Funds for Workforce Housing:**

*Developer may be eligible for one of four TIF investment options listed below.*

1. Construction of “bricks and mortar” to help bridge a funding gap created by including income restricted units. *The maximum TIF investment for vertical construction will be calculated on a case-by-case basis, at the sole discretion of MRA, by evaluating the cost to build workforce units minus the revenue generated by selling or renting those units. The actual TIF reimbursement will be based on construction receipts for the workforce housing units or project proportion, up to the maximum TIF investment amount.*
2. Purchase of land or buildings upon which workforce housing units will be constructed or improved.
3. Soft costs associated with a workforce housing acquisition, construction, and improvements.
4. Interest rate reduction for workforce construction or improvements of up to 50% of a permanent loan.

If needed, TIF may be utilized to pay a third-party entity to conduct income verification and monitoring of workforce housing units.

**Investment Guidelines for Workforce Housing Projects:**

- Developer must demonstrate they have the experience and financial capacity to complete the workforce housing project, including evidence of financing.
- TIF investment in workforce housing construction shall be for actual costs. Developer’s reasonable rate of return shall represent no more than 10% of the project construction costs.
  - With for sale projects, the MRA will use the difference between the cost to build workforce units and the attainable sale price for a household earning between 60-140% AMI.
  - With rental projects, the MRA will use the difference between the cost to build the workforce rental units and the attainable rental rate for a household earning between 60-140% AMI, for the length of the affordability period. (The MRA will utilize HUD’s published income limits to determine maximum rental price, and other relevant data as determined solely by MRA staff).
  - MRA staff will evaluate development costs using a range of benchmarks, including typical cost per unit for similar project types. Benchmarks will be updated regularly, with input from local banks and/or appraisers, and Marshall Valuation Service.

**Requirements for Workforce Housing Projects Receiving TIF Funding:**

- If TIF funds contribute to soft costs for a workforce housing construction or improvement project, acquisition, or direct investment in construction, state prevailing wage rates must be paid to all contractors working on the TIF funded portion of the project.

- If workforce housing is included in the project, TIF assistance will be available for all of the typical eligible expenses (deconstruction and right of way improvements) and to bridge any demonstratable pricing gap as a result of including income restricted units.
- Long term affordability will be guaranteed through a deed restriction, use restriction, Community Land Trust, or other acceptable mechanism. The length of the affordability period varies by project type unless modified by the MRA Board.
  - Rental projects require a minimum 30-year affordability period.
  - For sale projects not using a Community Land Trust model must remain affordable for a continuous 75 years.
- Rental project owners will be required to provide tenant occupancy reports to the City annually. The MRA will contract with an organization to manage the income verification, buyer selection, and compliance of for sale projects.

**Requirements for Private Projects Receiving TIF Funding that Do Not Provide Workforce Housing:**

- Any TIF funded private project that does not include income qualified housing will be required to make a contribution to the City's Affordable Housing Trust Fund that is equal to 10% of the total TIF received. Applications for the following are not subject to the 10% contribution:
  - Funding for planning studies, analysis
  - Government initiated projects
  - Non-profit projects
  - Projects that provide other public benefits, as determined by MRA, such as granting trail and park easements to the City
  - TIF requests less than \$100,000, including phased projects and Façade Improvement Program (FIP) projects

**Exceptions:**

- Any exceptions to the eligibility, use of TIF funds, and other requirements included in these guidelines must be approved by the MRA Board.

**TIF Infrastructure Grant:**

- Workforce housing eligibility will be treated as a separate TIF grant program and will be evaluated separately. Applicants may apply for TIF funds from both the traditional infrastructure program and the workforce housing program. Workforce housing projects may be eligible for the Façade Improvement Program (FIP) if improving workforce housing.
- Approval by the MRA Board of a typical TIF request for costs such as right-of-way improvements, building removal, utilities, and façade improvements, will not limit the applicant's eligibility to apply for Workforce Housing Program funding in the future.