

Act 381 Housing TIF Redevelopment Requests

Act 381 was amended in 2023 to make housing development an eligible expense under the Brownfield Act. This was done in an effort to encourage construction of attainable/affordable housing. Specifically, the amended law allows reimbursement to a developer to fill a financial gap associated with the cost of constructing housing and the sale price or rent to income qualified households. All other eligible activities that exist under the current law also exist under a housing TIF. No contamination or obsolescence is necessary to qualify.

Housing property is defined as either: 1) a property on which one or more units of residential housing are proposed to be constructed, rehabilitated, or otherwise designed to be used as a dwelling; or, 2) one or more units of residential housing proposed to be constructed or rehabilitated and located in a mixed-use project.

Brownfield development activities include:

- 1) Environmental costs and site prep.
- 2) Cost for infrastructure available for public use and safety improvements necessary for a housing project.
- 3) Cost of demolition and renovation of existing buildings and site preparation to the extent necessary to accommodate an income qualified household.

Housing development activities include the above plus:

- 1) Reimbursement provided to a developer to fill a financial gap associated with the development of housing units priced for income qualified households and to assist with costs related to infrastructure improvements and site preparation that are not response activity and that are necessary for new housing development for income qualified households.
- 2) Reimbursement provided to owners of rental housing units for qualified rehabilitation.
- 3) Temporary household relocation costs for an income qualified household for a period not to exceed one year.
- 4) Acquisition costs for blighted or obsolete rental units to the extent the acquisition would promote rehabilitation or adaptive reuse of the blighted or obsolete rental unit to accommodate an income qualified household.

Criteria for projects that include **rent** and income-restricted apartments:

- 1) Projects must include rental units that will be leased at rates that are both: a) below market rate; and, b) below the rental rate for households earning 80% area median income (AMI) or below.
- 2) Units must be leased to households whose income is at or below the applicable AMI level based on household size, not to exceed 80% AMI.

- 3) At least 20% of all unit types should be rented below 80% AMI with greater percentages encouraged based on underwriting.
- 4) Rent and income restrictions must be in place for a minimum of 15 years or the period of reimbursement, whichever is greater.
- 5) A calculation of the potential rent loss is required, representing the difference between market rent and the maximum rent allowed for an income-restricted unit based on AMI targets (per MSHDA guidelines).

Criteria for projects that include income and sale price restricted **home ownership** units:

- 1) Projects must be proposed by a developer; individual homeowners are not eligible.
- 2) Brownfield Redevelopment Authority support will include, but may not be limited to, a potential development loss subsidy (financial gap) in an amount necessary to make the home affordable to an income qualified purchaser household.
- 3) The potential development loss subsidy may not exceed the lesser of \$40,000, or 25% of the construction cost (for new construction) or appraised value (for rehabilitation).
- 4) The potential development loss subsidy is the difference between the total development cost and the amount an income qualified household can afford based on household income (per MSHDA guidelines).
- 5) Income qualified households are those whose household income does not exceed 100% of AMI based on household size.
- 6) At least 20% of all unit types should be sold below 100% AMI.
- 7) To encourage a higher percentage of affordable and attainable housing, if more than 50% of the units in a development qualify for a gap subsidy based upon households making less than 100% AMI, the City will consider approving a gap subsidy for additional units for households making between 100% -120% AMI.
- 8) The duration of affordability is expected to range from 5 to 15 years depending on the subsidy amount as shown in the table below.

Subsidy Amount	Duration
\$8,894 - \$13,334	5 Years
\$13,335 - \$26,667	10 Years
\$26,668 - \$40,000	15 Years

- 9) The affordability requirement will run with the land and the subsidy will be forgiven in equal increments over the affordability period.

The final amount of tax increment revenue to be reimbursed to the applicant shall be based upon staff review and recommendation of the applicant's score on the Housing Development Assessment Tool.

City reimbursement shall also be dependent upon satisfactory review of the proposed project by City staff and a recommendation that the project satisfies the Principles for Neighborhood Investment.

Staff may hire an independent third party to conduct a financial review of the proposed project and staff may require that the applicant provide up to \$5,000 escrow to fund any activities associated with the independent financial review of their proposal. Any funds not expended shall be returned to the developer within 10 days of the City Council decision to support or deny the applicant's request.

[Approved by City Council 10/2/2024]