

PROPOSAL TO MISSOULA REDEVELOPMENT AGENCY FOR AFFORDABLE HOUSING PROGRAM

The lack of inventory and inaccessibility to affordable housing in Missoula are long-recognized and well-documented problems. Too many of our citizens struggle to obtain safe, decent, affordable housing—or they go without. It is not that there is not new housing being developed in the Missoula area; developers are cranking out houses as fast as they can get land subdivided and zoned. The problem is that this new housing is not all that affordable, and often, the new housing which *is* affordable is being built further and further away from Missoula. An affordable housing opportunity ten, twenty or thirty miles away from Missoula is offset by the increasing transportation costs to the affected households.

There is a huge capacity and opportunity for developing affordable housing in Missoula that needs encouragement and support. The Missoula Housing Authority, local CHODO's (Community Housing Development Organization), homeWORD, and others who are dedicated to providing affordable housing face many hurdles, the chief among them being the cost of land. Other impediments are the tangential development costs like off street parking, infrastructure upgrades, demolition and site preparation costs, etc. Many of these problems can be reduced in whole or in part through the use of the MRA's tax increment financing (TIF) powers.

Meanwhile, the potential for locating sites within the urban core of Missoula, close to services, shopping, etc. exists within Urban Renewal District Two and Three (URD II and URD III). Obsolete or rundown properties that have not appeared on the commercial development radar may be appropriate for residential redevelopment by affordable housing providers. Establishing a program that supports and encourages vital and effective partnerships to create affordable housing is a key part of any sound community redevelopment program. New residents, even occupants of affordable housing, consume goods and services provided by grocery stores and pharmacies, etc. which may promote further redevelopment in those areas, as well.

The **URD II Plan**, for example, drafted in 1991 recognized both the need and opportunity for affordable housing development stating on page 49:

Policy Statement

The following policy from the Missoula Urban comprehensive Plan, 1990 Update, provides a guide for residential development the Urban Renewal District II:

Encourage a residential land use pattern which provides a high quality living environment in a variety of residential settings, protects public health and safety, minimizes local government service costs and preserves natural resources. (From Missoula Urban Comprehensive Plan, 1990 Update; page 51.).

The following goal and objectives represent the direction and methods which best address residential development in the Urban Renewal District II:

GOAL

In coordination with other public agencies, non-profit and for-profit developers encourage sound residential land use development and redevelopment. Such development will provide a variety of housing alternatives for people of all incomes, ages and backgrounds.

OBJECTIVES

- *Encourage private sector ownership of housing developments, homes and rental properties.*
- *Promote residential development of vacant and under utilized land where appropriate.*
- *Promote rehabilitation of existing housing units and improvements to neighborhoods.*
- *Encourage net increase of housing in the District by assisting developers in replacement of housing eliminated by redevelopment activities.*
- *Encourage high density housing developments specifically designed to meet the constraints and accentuate the positive aspects of each site and the overall area.*
- *Encourage a balance mix of investment, rental and owner occupied housing opportunities which address a variety of costs, incomes and special needs.*
- *Participate in neighborhood planning and development education efforts with the Office of community Development and other City departments.*
- *Establish site and architectural design criteria in site sensitive areas in conjunction with other City departments, private developers and architects.*
- *Encourage consideration of creative and innovative housing alternatives, such as co-housing, housing cooperatives and condominiums.*
- *In conjunction with the Missoula Office of Community Development, assure suitable, compatible, and adequate residential development opportunities exist through appropriate zoning and re-zoning in the area.*

The **URD III Plan**, adopted in 2000, states on Page 14:

Like the rest of the country, Missoula is experiencing a change in demographics to an increasingly older population with a need for housing with convenient access by all modes of transportation, to shopping, recreational opportunities, and personal services. In addition, the [Urban Renewal District III] Study observed that the need for assistance to low and moderate income households is currently being addressed by several other agencies. However, forming partnerships with other department and other agencies to accelerate this effort will be part of the urban renewal efforts.

The recognition of this situation prompted the City and MRA to adopt the following related goals found on page 15 of the **URD III Plan**:

URD III Goals

- *Provide opportunities to develop a broad range of housing alternatives including market-rate housing, affordable housing, as well as subsidized public housing.*
- *Encourage the continuance of vibrant residential neighborhoods through partnerships with existing agencies taking full advantage of the established network of services targeting residential development.*
- *Promote commercial development design that considers impacts to the residential neighborhoods.*

In summary, the MRA's two Urban Renewal Plans for URD II and URD III describe energetic, innovative goals with respect to housing and challenge the MRA itself to become a significant player in the development of housing for all income ranges in the community. Although the Plans' language is many years old, it nonetheless speaks to unmet needs facing Missoula. What is lacking is a specific approach and policy creating the practical undertaking envisioned by MRA's two very bold and Urban Renewal Plans.

PROPOSAL

It is proposed that the City and MRA dedicate 15% of each year's annual tax increment receipts to a MRA budget category called "The Affordable Housing Program (AHP)." Those funds would be ear-marked to provide TIF funding for certified affordable housing redevelopment projects. To be designated a "certified affordable housing project," a project would have to meet certain criteria (established by MRA) such as number of units, project cost, architectural design and sustainability, etc. Additional certification points could be awarded to commitments (through deed restriction or association with land trusts, etc.) that would guarantee ongoing price control that would assure continued affordability. Any funds unspent from the AHP in given year would carry over to the next year and be added to the next year's TIF receipts for the Program. Nothing in this proposal would limit the MRA Board's ability to contribute additional TIF funds from

outside the AHP if it chose to do so.

Establishing meaningful criteria for determining *affordability* is essential to the success and credibility of the Program. Projects that create housing that is affordable to households earning income at or below the 80% of the median Missoula income is a good place to start. This level would provide housing for the working poor and the lower middle class. At this income level, one might find households headed by nurses, laborers, sales clerks, bank tellers, service employees and others who make valuable and needed contributions to our community's well-being and quality of life. Households at this level will support neighborhood businesses and generally strengthen the fabric of the community by being both consumers and providers of labor. (Young families, which often fall into this income range, will also provide the students for public schools; maintaining a population of young families in the urban core will forestall the day when new schools will be built in ex-urban areas.). A deeper assessment of the level of need should be undertaken.

Maintaining affordability is essential, too. Through deed restrictions, land trusts, etc., the housing created in association with the AHP would remain part of Missoula's affordable housing stock and speculators would be discouraged. Rental projects created with the AHP would have to be subject to restrictive agreements that prevented rent increases making the projects no longer affordable. Local low income housing providers can give guidance to MRA and developers on how best to measure and maintain rental affordability.

In order to extend the benefits of this program, MRA will need to impose some participation limit criteria. At the threshold, the limit would be the availability of funds; MRA cannot provide more funds than it has at its disposal. Similarly, the MRA Board would need to retain its long-standing discretionary authority to award projects such amounts as in its best judgment are warranted. One measure MRA has always considered to determine project feasibility is the creation of new taxes. With the AHP, this criteria and MRA expectations would have to be re-considered. Some affordable housing may take longer to realize MRA's typical, desired "payback" period of 10 years.

Secondly, MRA's historic success has occurred as a public partner offering assistance and incentives to others while remaining a very limited partner insofar as financial participation. MRA's participation in this program could be similar to its past participation in projects. For example TIF funds in the AHP could be in the form of grants up to a certain percentage of project costs, say, initially 10 or 15%. Other areas where MRA might participate is in providing loan guarantees with commercial lenders. Again, this would necessarily be on a limited basis, say, 20% of project costs. As part of the loan guarantee, the MRA could also elect to pay some or all of the interest costs during all or some period of the project. Finally, MRA could consider establishing its own direct loan program. That adds a level of complexity that may not be desirable, but it is worth considering.

As an additional inducement to affordable housing providers, the City could adopt a policy that directed its reviewing agencies at OPG and the Public Works department to review affordable housing projects in either URD II or URD III on a priority basis, that is, ahead of other projects in the reviewing queue. Recognizing the principle that *time is money* the City could, without waiving review fees, send a message to developers that affordable housing projects in URD II and URD III will get built sooner than elsewhere in the community. The limits of qualifying for this program will prevent too many projects creating a backlog for other development projects and yet will provide a meaningful incentive to build in both URD II and URD III at no additional cost to the City.

Affordability and density more often than not go hand in hand. It stands to reason that providing more housing units on land will result in economies of scale that will make the per unit cost of the project lower. While this is true, greater densities create problems, real and perceived, that make neighborhoods and some officials wary of multi-family projects. As part of the AHP, MRA could play a key role in sorting out problems and brokering solutions on behalf of the City to the development of affordable housing projects. Few entities are as credible as MRA when it comes to helping solve problems related to redevelopment. Design, circulation, traffic, infrastructure improvements, etc.-- elements of redevelopment that could benefit from MRA's experience and vision—are all potential problems to which MRA could help find appropriate solutions. Through MRA's efforts, projects could be proposed whose density would actually be embraced by the community.

Included in this program would be an outreach effort to both for-profit and not-for-profit developers of affordable housing outlining the program benefits and qualifying criteria. Additionally, a summary of each year's activities would appear in the MRA annual report.

The AHP could be a catalyst to help affordable housing providers engage more energetically in the creation of this vital need in our community.