

MISSOULA COUNTY
Community & Economic Development
Targeted Economic Development District Workforce Housing Program Guidelines

Purpose:

This policy establishes the framework for eligible uses of Tax Increment Financing (TIF) in support of workforce housing in Missoula County's Targeted Economic Development Districts (TEDD). In 2021, the Montana Legislature amended Montana Code Annotated 7-15-4283 to include "workforce housing" in the definition of infrastructure that may be supported using TIF. Missoula County's Department of Community and Economic Development plans to implement its Workforce Housing Program goals, outlined below, by partnering with developers to facilitate the development of workforce housing through the use of TIF.

The aim of this policy is to promote infrastructure that supports development of housing that's both attainable and affordable to Missoula County's workforce, while maintaining flexibility in how housing projects are evaluated for suitability of TIF support.

The intent of this policy is to provide reasonable flexibility in how the criteria of attainability and affordability are met, where a wide range of housing projects may qualify, but with deeper levels of TIF support offered to projects that offer deeper levels of affordability. The intent is not to create rigid thresholds limit the use of this policy, but rather to ensure that public investment is aligned with the housing goals of Missoula County.

At its core, the purpose of this policy is to facilitate and promote the development of workforce housing.

Definition of Workforce Housing:

Under this program, workforce housing refers to housing that is affordable to low-income households and housing that is attainable to households in the "missing middle," i.e., households that make too much to qualify for conventional affordable housing programs, but may still struggle to afford market-rate homes in the area.

Under this policy, there will be two categories for qualifying workforce housing projects:

1. **Attainable Housing:** This category will include housing projects that are not using a formal affordable housing program, but where other metrics (e.g.,

increased density, decreased square footage) provide market-based guardrails to limit home prices.

Attainable housing projects must deliver non-luxury housing. Projects in this category will not be eligible to receive TIF support for private vertical construction of their project.

No AMI formulas, rent caps, sale price caps, affordability durations, or resale restrictions will apply to workforce housing projects in the attainable housing category.

Attainability of housing in in this category will be achieved through market-based price restrictions, which may include:

- Smaller unit sizes
- Smaller bedroom sizes
- Modest finishes/amenities
- Smaller lot sizes
- Increased density

2. **Affordable Housing:** This category will include housing projects that use established affordable housing programs (e.g., LIHTC, Community Land Trusts, HOME, PBRAs) or other similar enforcement mechanisms as approved by CED.

Housing projects in this category must deliver below-market, affordable housing, as defined by the project's affiliated affordable housing program.

In addition to the other uses of TIF for workforce housing outlined below, only housing projects in this category will be eligible for TIF support for vertical construction, consistent with MCA 7-15-4288.

Affordable housing projects must meet all compliance requirements of their respective affordable housing program, or other enforcement mechanism approved by CED, which may include:

- Income verification
- Affordability terms
- Long-term monitoring
- Price caps or rent caps
- Resale restrictions

- This two-track structure for both attainable housing and affordable housing reflects the need for flexibility in market-rate development, while ensuring increased levels of TIF support for housing projects using formal, established affordable housing programs.

Workforce Housing Program Goals:

- Expand workforce housing supply in the TEDDs, for both rental and homeownership
- Encourage creation of more mixed income developments in Missoula County
- Implement County housing goals, included in the Missoula County Growth Policy, Housing Action Plan, and the Comprehensive Development Plan for each TEDD
- Expand and improve public infrastructure in County TEDDs, per the respective adopted comprehensive development plan
- Leverage other affordable housing incentive programs or partnerships, if available

Eligibility of Projects:

1. To qualify as Attainable Housing, a project must:

- Be located within a TEDD.
- Demonstrate attainably priced housing in the project through increased density targeting 11 units or more per acre
- Demonstrate attainably priced housing in the project through reduced home sizes. Targeting home sizes in the following ranges below:
 - Studio/one-bedroom: 500-700 square feet, 1 full bathroom
 - Two-bedroom: 900-1,100 square feet, 1.5 bathrooms
 - Three-bedroom: 1,100-1,300 square feet, 2 full bathrooms
 - Four-bedroom: 1,300-1,500 square feet, 2 full bathrooms
 - Five-bedroom: 1,600 square feet, 2.5 bathrooms
- Demonstrate attainably priced housing through modest bedroom sizes, with a target of roughly 100-130 square feet per bedroom.
- Demonstrate attainably priced housing through modest finishes and amenities.
- Include a completed Missoula County Tax Increment Funding Housing Application.

2. To qualify as Affordable Housing, a project must:

- Be located within a TEDD

- Demonstrate meaningful affordability of housing by participating in a formal affordable housing program (e.g., LIHTC, CLT, HUD, PBRA) or other similar enforcement mechanism as approved by CED.
- Include a completed Missoula County Tax Increment Funding Housing Application.

Eligible Uses of TIF for All Workforce Housing Projects:

- TIF funds may be used for public infrastructure costs directly associated with the workforce housing development
- Acquisition, construction and improvement of public facilities or infrastructure and publicly owned buildings
- Public improvements to Special Improvement Districts
- Public improvements to public sewer systems or municipal sewer and/or water systems
- Public improvements to pedestrian malls and off-street parking facilities
- Demolition and removal of structures
- Land acquisition
- Acquisition, construction or improvement of public facilities or equipment for reducing, preventing, abating or eliminating pollution.
- Connection to existing infrastructure outside the district.
- Other permitted uses, per MCA 7-15-4288.
- **Only** Affordable housing developments that utilize formal affordable housing programs may be eligible for TIF support for vertical construction of the project.

Investment Guidelines for All Workforce Housing Projects:

- Developers must demonstrate experience and financial capacity to complete the workforce housing project, including evidence of ability to secure financing
- To determine the proportion of Attainable and Affordable housing required within project, CED staff may consider a range of benchmarks including:
 - Typical costs of similar project types and total cost of project
 - The amount of the TIF request vs total public infrastructure costs of the project
 - The type of public infrastructure being proposed and if it could or will serve properties beyond the subject property
 - The alignment of the proposal with the TEDD Comprehensive Development Plan, adopted infrastructure plans, the Missoula Area Land Use Element, and Missoula County Growth Policy
 - The variety of housing types in the project
 - Community need for the proposed housing types

- The amount of TIF available within the district
- Preference will be given to projects that offer homeownership opportunities and housing for families (2 bedrooms or more)

For Affordable Housing projects only, CED will also consider:

- The amount of the TIF request vs the total construction cost of the project
- The breadth of affordability and the length of affordability of homes within the project

In both Attainable and Affordable Housing Projects, Missoula County CED will work with the developer to determine:

- The project's financial need
- A reasonable level of TIF support based on expected public benefit of the project

Requirements for All 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.
- The project must adopt an affirmative marketing plan, approved by CED, for marketing workforce housing units in the project in compliance with Fair Housing.

Application: Project eligibility for this program will be treated as a separate TIF program and will be evaluated separately on a separate application. Applicants may apply for TIF funds from both the traditional infrastructure program and the workforce housing program.

Exceptions: Any exceptions to the eligibility, use of TIF funds, and other requirements included in these guidelines must be approved by the Board of County Commissioners. Approval of exceptions shall include written findings that demonstrate the exception still meets the overall intent of this policy.