

Potential Financial Tools for Affordable Housing

Description	Action to Implement	Potential Revenue
<p><i>Federal grants and tax credits</i> - Home Investment Partnership (HOME), American Dream Downpayment Assistance (ADDI), and Community Development Block Grant (CDBG) funds are allocated to the City each year from the U.S. Department of Housing and Urban Development (HUD). Section 8 housing vouchers from HUD may be used for to purchase homes, as well as assist in rental costs. Housing developers may apply to the State for Low Income Housing Tax Credits (LIHTC) to subsidize low-income housing projects.</p>	<p>Congressional appropriation and City Council action; allocation from State</p>	<p>HOME: \$500,000/year CDBG: \$600,000/year HUD vouchers: \$5.5 million/year (estimate based on 1,100 vouchers) LIHTC: \$4,000,000/year (10-year average)</p>
<p><i>Housing Trust Fund</i> - The City could establish a trust fund whose proceeds would be dedicated to affordable housing. The trust fund could be funded with City and other public revenues and/or with private contributions.</p>	<p>City Council action</p>	<p>unknown</p>
<p><i>Public Land</i> - Surplus public real estate could be used for affordable housing. This would entail establishing long-term ground leases to reduce the cost of land, a significant element in housing cost</p>	<p>Governing body action</p>	<p>unknown</p>
<p><i>General Obligation Bond</i> - The City could propose a general obligation bond backed by property tax to assist with affordable housing.</p>	<p>Election</p>	<p>\$1 million per year generated by a City bond would cost the average homeowner \$25/yr.</p>
<p><i>Urban Renewal Bond</i> - The Missoula Redevelopment Agency could issue bonds backed by tax increment revenues to assist with affordable housing within established urban renewal districts.</p>	<p>Urban Renewal Board action</p>	<p>URD #2 can support \$2 million in bonds. URD #3 may be able to support a bond in the future.</p>
<p><i>Real Estate Transfer Tax</i> - The State Legislature could enable local governments to impose a tax on the value of real estate that would be collected each time property is sold.</p>	<p>Enabling Legislation</p>	<p>A 1.0% RETT with a \$500,000 minimum threshold would generate approximately \$2 million.</p>
<p><i>Development Incentives</i> - The City could provide incentives to the development community in zoning and subdivision regulations including density bonuses, tax deferrals, accessory dwelling units and reductions in setbacks, parks dedication, parking requirements, etc. in return for commitments to provide affordable housing. Regulations would have to be carefully crafted to avoid quality of life impacts in established neighborhoods.</p>	<p>City Council action</p>	<p>unknown</p>
<p><i>Inclusionary Zoning</i> - The City could require that a percentage of the units in each new subdivision be dedicated to affordable housing through deed restriction or other mechanism.</p>	<p>City Council action</p>	<p>A 10% inclusionary housing requirement would produce approximately 100 affordable homes per year based upon recent subdivision activity.</p>
<p><i>Housing Impact Fee</i> - The State Legislature could enable local governments to establish a fee based upon the affordable housing need generated by new development.</p>	<p>Enabling Legislation</p>	<p>unknown</p>