Subsidy has to be Strategic

Planners and City Leaders need to be Proactive

Estimating Housing Needs vs. Feasibility of Building

Planners Can:

- Estimate population growth & unit needs
- Update zoning to allow needed housing types

But do we consider:

- What it actually costs to build?
- Who will finance it?
- Whether policies make projects viable?

Why Housing Requires Subsidies

Market Rate vs. Affordable Developments

- Key Challenges
  - Lower rents don’t cover costs
  - Construction costs are the same

What happens when margins are too thin?

- Projects stall
- Only luxury or high-end housing gets built

What Planners Can do Today

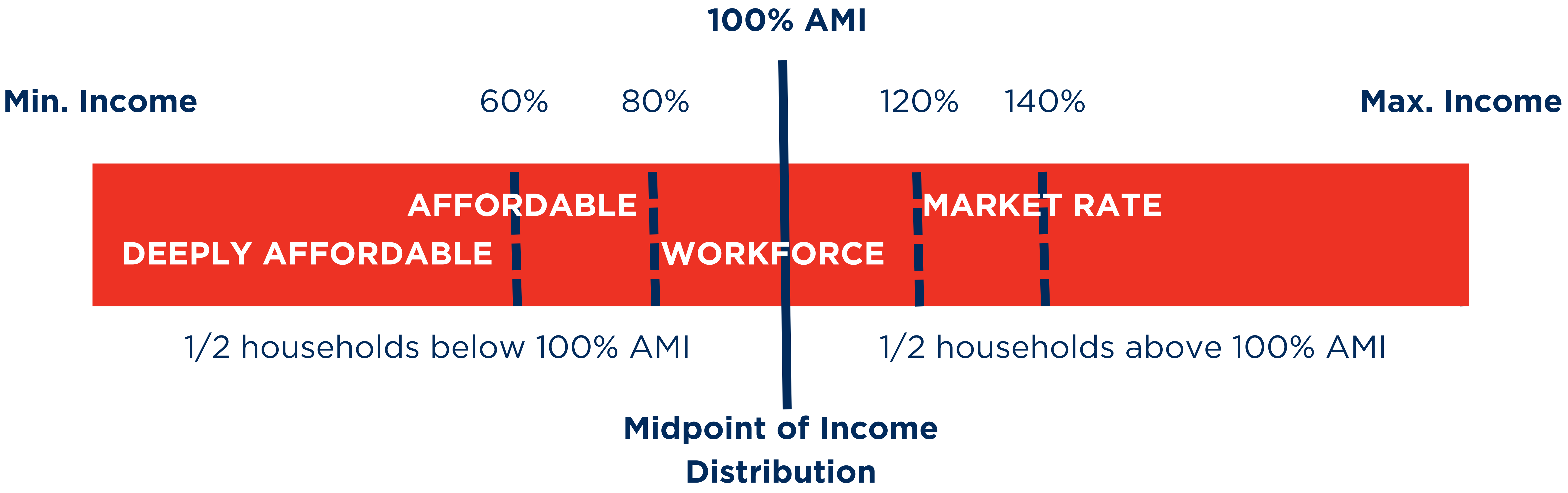
Improve zoning & master plans to align with financial realities

Educate elected leaders on feasibility & financing

Support policies that enable houisng (density bonuses, streamlined approvals, etc.)

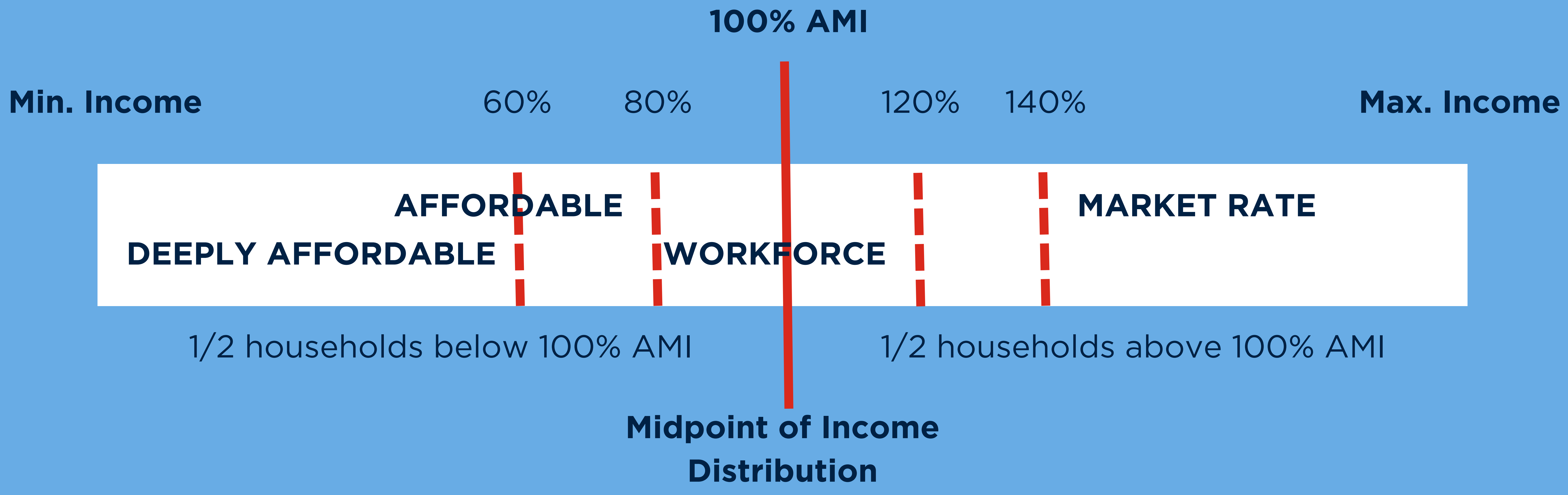
Foster partnerships between public & private sectors

Area Median Income (AMI)



The area median income is the midpoint of a region's income distribution, meaning that half of households in a region earn more than the median and half earn less than the median. A household's income is calculated by its gross income, which is the total income received before taxes and other payroll deductions.

Developer's #1 Rule:
Use the most simple financing that works



Marilyn Chrumka

A Michigan State University graduate with a BA in Community Relations, she has a background in community organizing, economic development, and private real estate investment. She previously worked at the MEDC, leading initiatives that leveraged over $100 million in private investment, and later at Kincaid Henry, structuring major downtown revitalization projects across Michigan. At MCC, Marilyn continues her passion for strengthening communities and driving impactful development.

www.michigancommunitycapital.org

Marilyn Chrumka
Vice President of Development

Total Project Cost

$18,950,000

MICHIGAN COMMUNITY CAPITAL

INTEGRATED ARCHITECTURE

RENDERING | WEST CORNER

SAWMILL LOFTS – GRAYLING, MI

03 FEB 2022
20181205

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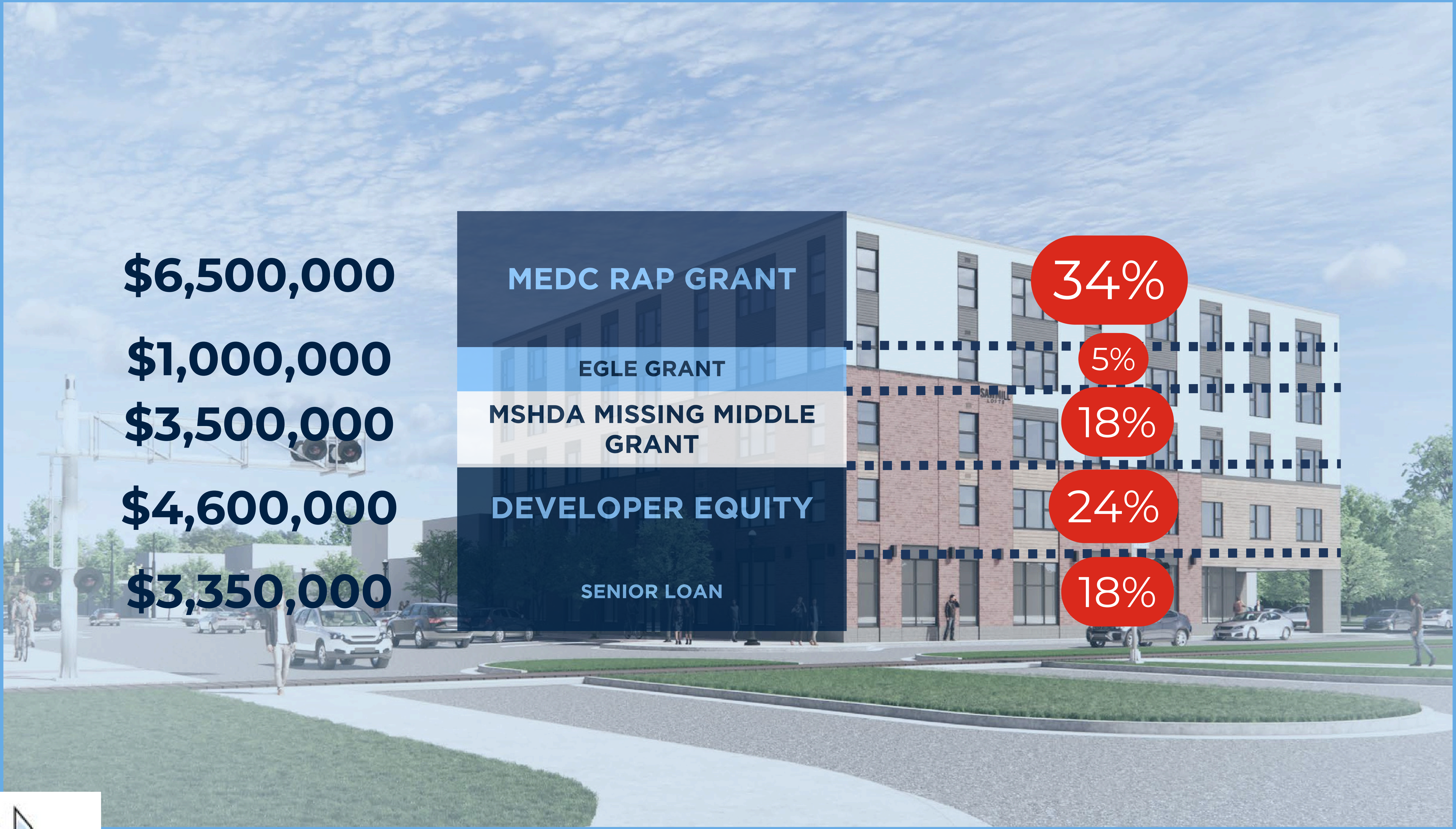

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The "Financing Gap"

The difference between projected costs (uses) and the debt and equity (sources) it can, and should, reasonably attract

Total Project Costs

-Bank Loan

-Equity

=Financing Gap

Financing Gaps Kill "Good" Projects

Gaps in projects finance is the biggest impediment to success for many important projects.

- City staff, non-profit developers, and emerging BIPOC and women developers need to understand how to quantify gaps and how to fill them.

- City leaders must set policies that identify needed **'good'** development (e.g., attainable home ownership, rental housing, etc.) and prioritize using scarce gap financing resources for these priorities.

Gap Financing

Project Costs > Fair Market Value

- Encourage balanced investment in areas of disinvestment
- Encourage investment in areas with infrastructure and services

Invest in areas of opportunity

- Initiate public-private partnerships to attract capital to areas of disinvestment
- Set an investment policy/underwriting that maximizes private capital

Government is a 'gap' financer

The “Financing Gap”

If the project meets priorities for needed development, then underwriting gap financing requires answers to each of the following questions:

Project Costs - are they resonable & adequate?
-Bank Loan - maximized given lender terms?
-Equity - fair return without undue enrichment?

=Gap - are there public sources available?

Public Assistance in Projects

Required when:

- Project Costs exceed fair market value
- Investors see inadequate Return on Investment (ROI) given risks, inflation, and opportunity cost
- Lenders see unacceptable levels of risk

Securing Equity & Gap

Equity attraction is impacted greatly by the project benefits:

- Cash Flow
- Tax Benefits
  - Depreciation (27.5 years for residential and 39 years for commercial)
  - Tax credit eligibility and commitment
    - Historic Tax Credits
    - Low-Income Housing Tax Credits (Competitive 9% vs. 4%)
    - New Market Tax Credits (NMTCs)
    - Investment Tax Credits (ITC) for renewable energy
    - State, County, and City Programs
- Appreciation (anticipated increase in value over time)

Closing the Gap

1. Abate or Rebate (finance) a portion of new (incremental) property - and/or other - taxes generated by the project to:
    - Increse potential debt capacity
    - Increase attracted equity

2. Attract additional equity with federal or state tax credits
    - New Market Tax Credits
    - Low-Income Housing Tax Credits
    - Historic Rehabilitation Tax Credits
    - Energy Investment Tax Credits

Closing the Gap

3. Reduce Project Costs:
    - Value engineer project specifications
    - Public assumption of select project costs
        - Sidewalks
        - Donated or discounted land

4. Offer subordinated public loans to:
    - Increase debt capacity
    - Lower equity requirements and raise ROI

5. Identify and secure scarce federal, state, and local funding programs

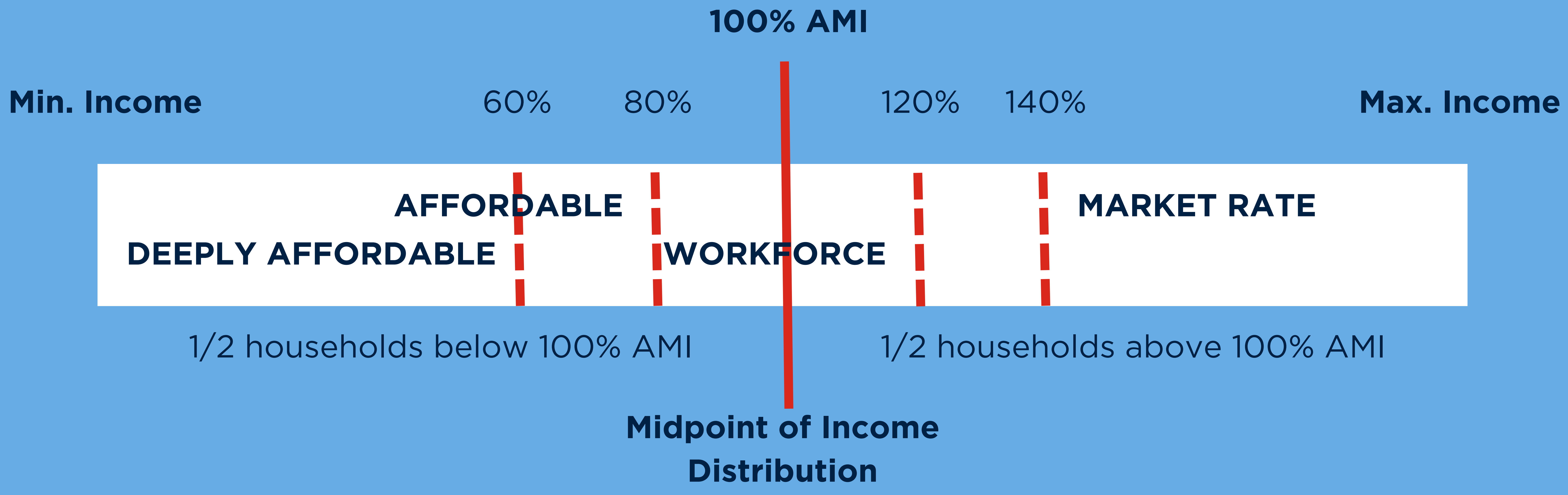
Sustainable Housing

Requires strategically using subsidy to correct for market conditions.

- PROJECT TYPE (RESIDENTIAL/COMMERCIAL/HEALTH/RETAIL)
- AFFORDABILITY LEVEL (WHAT COMMUNITY NEED DOES IT SERVE?)
- JOB CREATION
- SUSTAINABILITY

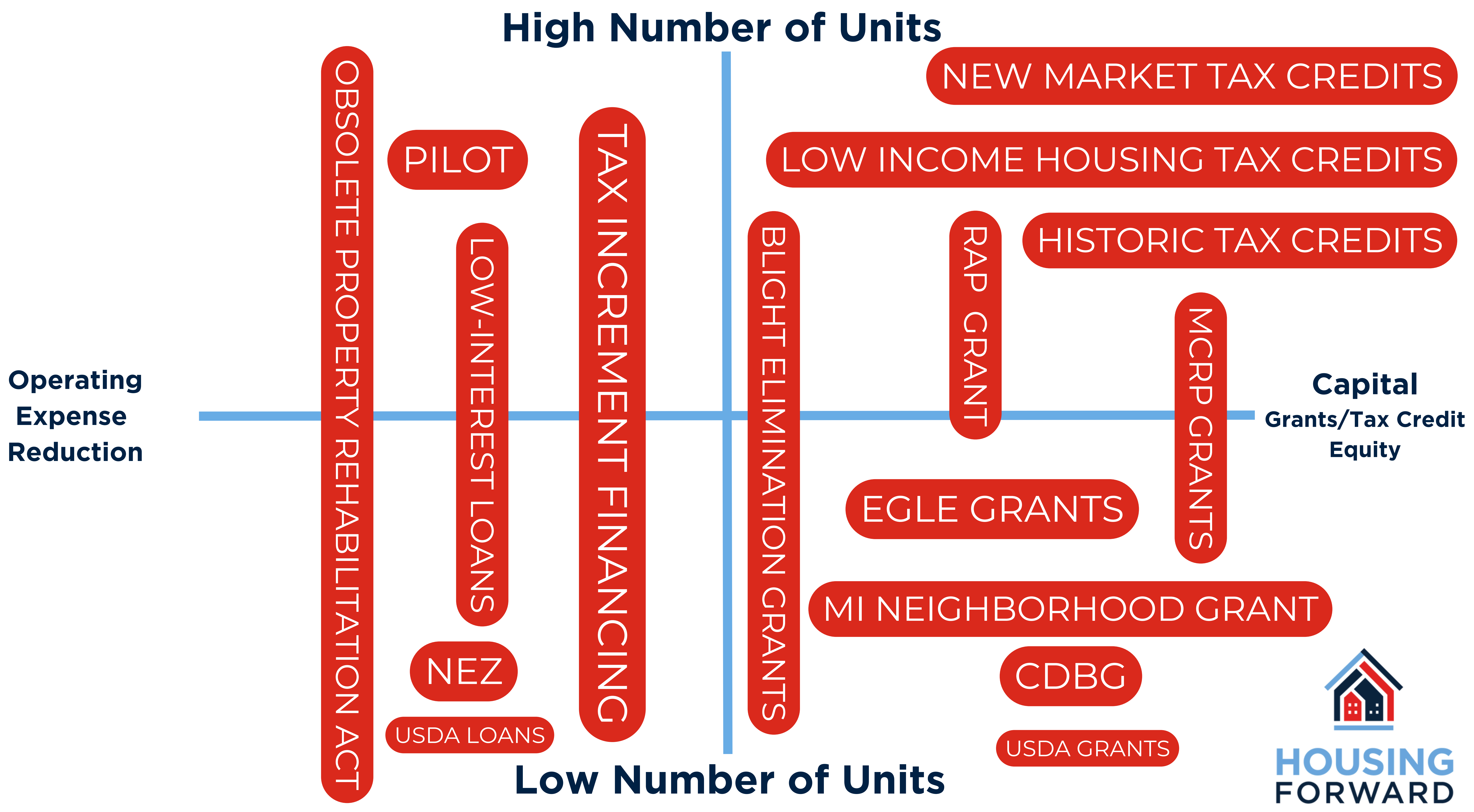
Government programs can trigger other requirements that may increase total project costs.

Developer's #1 Rule:
Use the most simple financing that works



Let’s talk about tools

Operating Expense Subsidies (Increase Cashflow)	Equity Contributions (Reduce Upfront Debt)
Tax Abatements Reduce property tax liability over time	**Tax Credits** Credits can be sold at a discounted rate or taken over time by the investor/developer
Tax Increment Financing (TIF) Uses future tax revenue to fund elements of public benefit (site improvements, infrastructure, housing)	**Government Grants (e.g. HOME, CDBG, MI Neighborhood)** Direct funding that reduces required debt
Low-Interest Loans Reduce the cost of borrowing	**Impact Investment Equity** Non-traditional investment sources.


High Number of Units
Low Number of Units
Operating Expense Reduction
Capital Grants/Tax Credit Equity
OBSOLETE PROPERTY REHABILITATION ACT
PILOT
LOW-INTEREST LOANS
NEZ
USDA LOANS
TAX INCREMENT FINANCING
BLIGHT ELIMINATION GRANTS
NEW MARKET TAX CREDITS
LOW INCOME HOUSING TAX CREDITS
HISTORIC TAX CREDITS
RAP GRANT
MCRP GRANTS
EGLE GRANTS
MI NEIGHBORHOOD GRANT
CDBG
USDA GRANTS
HOUSING FORWARD

What is the Obsolete Property Rehabilitation Act (OPRA)

OPRA (Public Act 146 of 2000) provides property tax abatements to encourage the redevelopment of obsolete buildings into vibrant commercial or mixed-use properties.

Expires: No new exemptions will be granted after December 31, 2026, but existing certificates remain valid until expiration.

Who is Eligible?

- **Properties must be in a qualified local unit of government and meet the definition of obsolete property (blighted, contaminated, or functionally obsolete).**
- **Projects must result in commercial or mixed-use development.**

Key Benefit:

- **Property tax freeze on improvements for up to 12 years, lowering redevelopment costs.**

How Does OPRA Work?

Tax Abatement Mechanism:

- Freezes the taxable value of a property before redevelopment, preventing an immediate increase in taxes.
- Developers pay property tax based on the pre-rehabilitation value, reducing initial carrying costs.
- State Treasurer may approve reductions of half of the school operating and state education taxes for 25 projects per year, up to 6 years.

The Process for Developers:

1. Find a qualifying property in an OPRA-eligible community.
2. Local government designates an Obsolete Property Rehabilitation District (OPRD).
3. Developer submits an OPRA application to the local government.
4. Public hearings are held to approve the district and the application.
5. Local government approves the OPRA certificate (up to 12 years).
6. State Tax Commission (STC) reviews and approves the certificate within 60 days.

Why Should Cities Use OPRA?

For Local Governments:

✅ Encourages the redevelopment of abandoned, blighted, or obsolete buildings.
✅ Supports economic growth by transforming underutilized properties into tax-generating assets.
✅ Preserves historical or architecturally significant buildings.
✅ Stimulates investment in downtowns and commercial corridors.

For Developers:

💰 Lower property tax burden while making improvements.
📈 Increased cash flow to support loan payments and project viability.
🏗️ Makes costly rehabilitation projects more financially feasible.

What Planners Need to Know

Considerations Before Approving OPRA Districts:

- Strategic targeting: Ensure OPRA is used where it aligns with master plans & economic development goals.
- Public engagement: Address concerns about fairness in tax incentives vs. general tax burden.
- Monitoring and enforcement: Ensure developers meet project commitments (e.g., job creation, housing availability).
- Stacking incentives: OPRA can be combined with TIF, LIHTC, or other grants to further boost project viability.

FUNDING THE GAP

WHAT TO KNOW ABOUT HAVING MORE SOURCES AS PART OF A PROJECT

- Are you prepared to have additional stakeholders control on the project or exercise control requirements on a project?
- When and how does the incentive come into the project? Are there tax repercussions the development team needs to be mindful of?
- What are the regulatory and compliance requirements? What costs are associated with those requirements?
- Do you have the funding's priorities programmed into the project already or will it require you to stretch the business plan offering or recalibrate to meet the funding objectives?

What is Tax Increment Financing?

Housing TIF (Tax Increment Financing) is a funding tool under Michigan's Brownfield Redevelopment Financing Act (Public Act 90 of 2023).

- It allows local governments to capture the increase in property tax revenue from redeveloped properties and use those funds to reimburse developers for eligible housing costs.
- Aimed at affordable and workforce housing (up to 120% AMI) and subsidized housing.

How It Works:

- Before Development: Property has a low taxable value due to blight, obsolescence, contamination, or vacancy.
- After Development: Property value increases, generating new tax revenue.
- TIF Capture: The difference in tax revenue (increment) is captured and used to fund eligible housing activities.

How can TIF be used for Housing?

Eligible Housing Activities Under TIF:

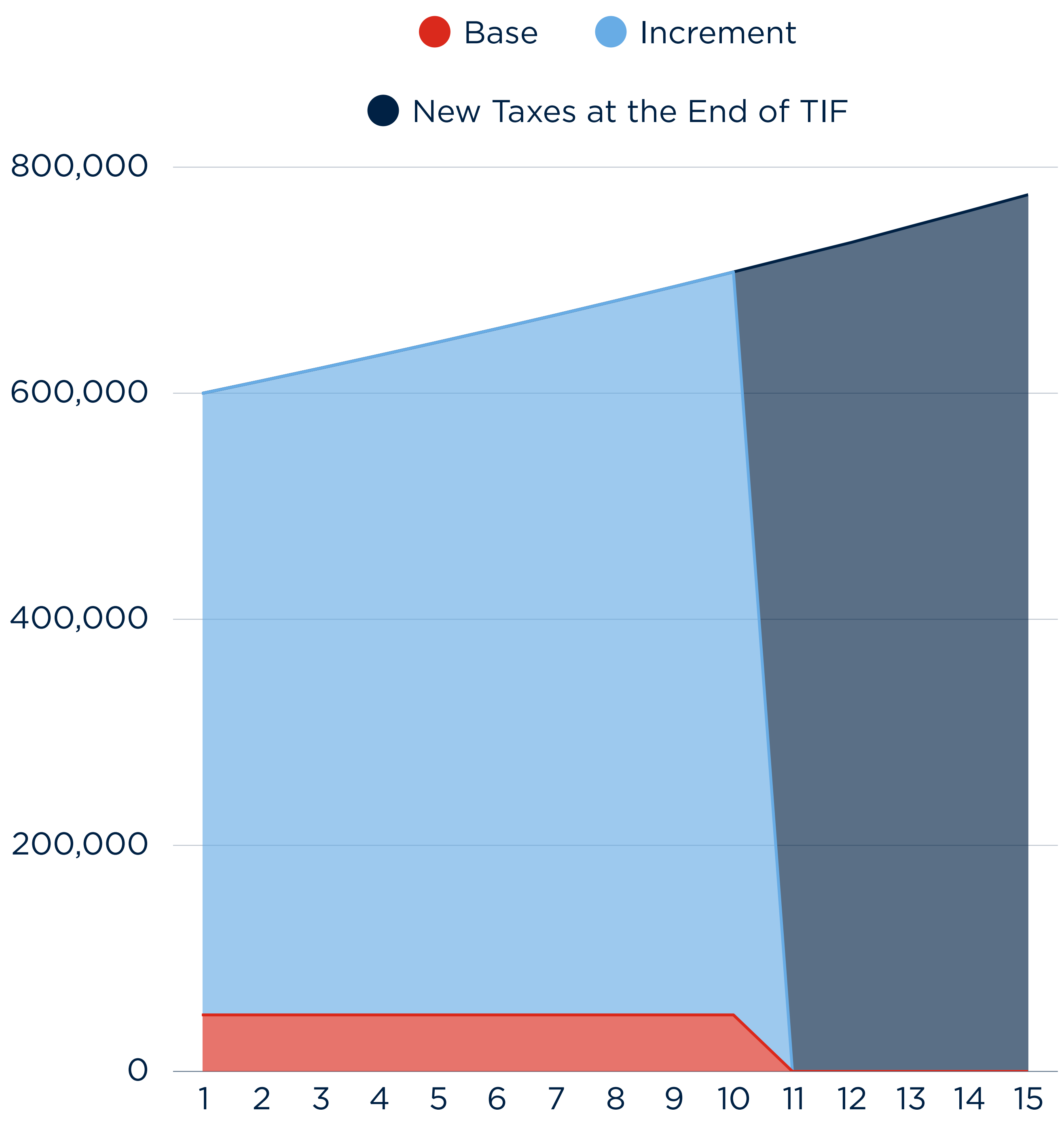
🏗️ New Construction or Rehabilitation for rental or for-sale housing.
🔧 Infrastructure Improvements (water, sewer, sidewalks, parking, public utilities).
🏚️ Demolition & Site Preparation for housing projects.
🏡 Temporary Relocation Costs for residents in redeveloped housing.
🏢 Adaptive Reuse of obsolete or blighted properties into residential units.
💰 Gap Financing to make workforce/affordable housing financially feasible.

Who Oversees Housing TIF?

- Local Brownfield Redevelopment Authority (BRA) submits a work plan or combined brownfield plan.
- Michigan State Housing Development Authority (MSHDA) reviews TIF plans that involve school tax capture for housing projects.
- Municipal Approval Required before submission to MSHDA.

TIF Example

- Project projected to add incremental payments of $100,000 per year after stabilization in Year 3
- Assessed vaue projected to increase 2% per year
- Taxing district allows 100% of increment for TIF for 10 years
- Increment will back tax exempt debt at 6% at 1.20x coverage



Why Should Cities Use TIF?

For Local Governments:

✅ Encourages housing investment in underdeveloped areas.
✅ Revitalizes neighborhoods by converting blighted/obsolete properties.
✅ Supports local housing needs without direct municipal spending.
✅ Can be combined with other incentives like OPRA, LIHTC, or grants.

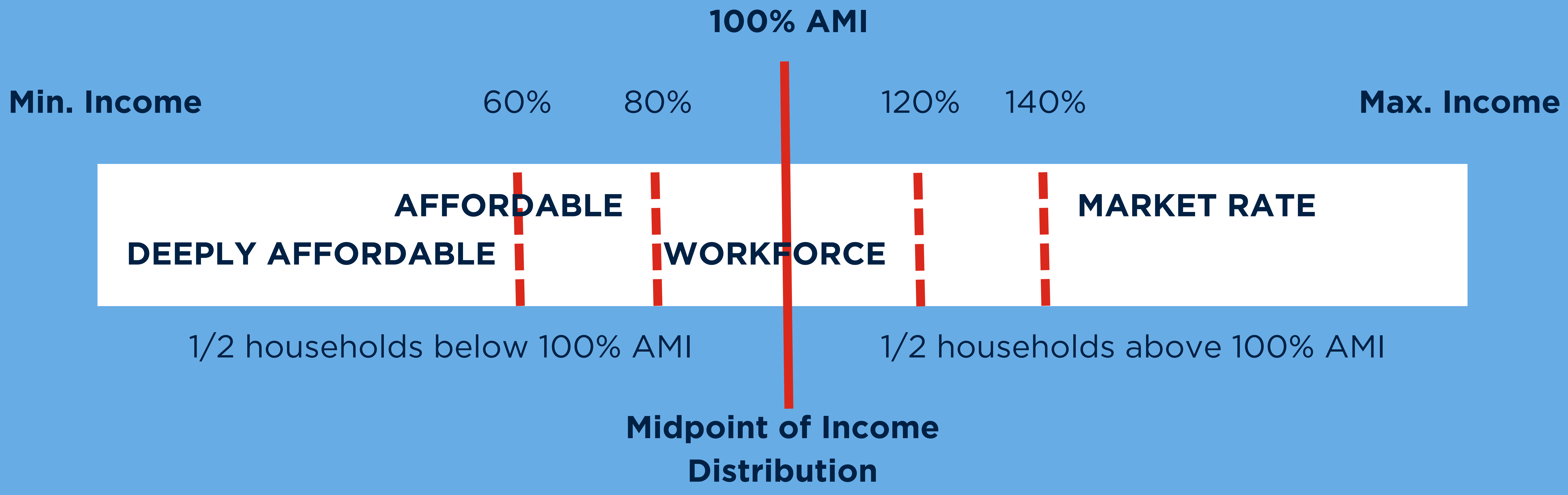
For Developers:

💰 Reimburses eligible costs, making projects more feasible.
📈 Increases financial viability for workforce and affordable housing.
🏗️ Offsets infrastructure & site prep costs, reducing overall project risk.

The Mechanisms Behind the Tools are the MOST Critical

- Developer Reimbursement Agreements
- TIF Agreements
- PILOT Agreements
- Fee Reductions or Waivers
- Land Disposition Agreements
- Affordable Housing Covenants
- Deed Restrictions

Enable Mixed Income and Strategically use Subsidy to Create a Healthier Market



What Planners Need to Know

Key Steps for Planners in Housing TIF Implementation:

1. Determine Eligible Areas – Identify brownfield properties for housing redevelopment.
2. Engage Stakeholders – Work with local BRAs, developers, and MSHDA.
3. Ensure Compliance – Verify projects meet income and affordability thresholds.
4. Public Hearing & Approval – Secure municipal approval before submitting the TIF plan.
5. Monitor Project Success – Track housing outcomes and tax increment impact.

Final Takeaway:

Housing TIF is a powerful tool to stimulate residential development, address attainable housing needs, and revitalize communities without upfront public spending.

What is a Payment in Lieu of Taxes

A PILOT is an annual service charge that property owners pay to a municipality instead of traditional property taxes.

Authorized under the State Housing Development Authority Act of 1966, specifically MCL 125.1415a.

Calculation:

- New Construction Projects:
- Annual service charge is the greater of:
- The property tax from the year before construction began.
- 10% of annual shelter rents (total collected rent).
- Rehabilitation Projects:
- Annual service charge is the lesser of:
- The property tax from the year before rehabilitation began.
- 10% of annual shelter rents.

Municipalities can adjust the service charge by ordinance but cannot exceed the standard property tax amount.

What Planners Need to Know

For Cities:

- Encourages development of affordable housing by reducing tax burdens on such projects.
- Ensures a steady revenue stream through the service charge.

For Developers:

- Lowers operating costs, making affordable housing projects more financially viable.
- Provides predictable expenses related to property charges.

Implementing a PILOT agreement can foster collaboration between municipalities and developers, promoting the growth of affordable housing while maintaining essential public services.

What is the Michigan Community Revitalization Program?

The MCRP is an incentive program administered by the Michigan Strategic Fund (MSF) in partnership with the Michigan Economic Development Corporation (MEDC).

It provides gap financing in the form of performance-based grants, loans, or other economic assistance to support redevelopment projects in Michigan.

Program Goal:

- **To encourage redevelopment of brownfields and historic preservation sites in traditional downtowns and high-impact corridors.**
- **To promote mixed-use, walkable communities and support private investment in redevelopment efforts.**

How MCRP Works

Who Can Apply?

Individuals or entities developing projects on eligible properties.

Eligible Properties:

- ✅ Brownfields (contaminated or blighted sites)
- ✅ Historic resources
- ✅ Functionally obsolete buildings
- ✅ Properties adjacent to eligible projects
- ✅ Any property that promotes community development, as determined by the MSF board

Eligible Investments:

- 🏗️ Building rehabilitation, construction, demolition, and site improvements
- 🔧 Infrastructure upgrades
- 🏢 Installation of machinery, equipment, and fixtures
- 📏 Architectural, engineering, and green building certification fees

Why Should Cities Use MCRP?

For Local Governments:

✅ Encourages redevelopment of underutilized properties.
✅ Supports community-driven revitalization efforts.
✅ Attracts private investment through gap financing.
✅ Aligns with master plans and economic development goals.

For Developers:

💰 Fills financial gaps in redevelopment projects.
🏗 Supports historic preservation and adaptive reuse.
🌱 Encourages sustainable development and energy-efficient projects.
📈 Reduces upfront financial risk, making projects more viable.

What Planners Need to Know

MCRP Incentive Limits:

- Max 25% of eligible investment, capped at $10 million per project.
- In municipalities with 15,000 or fewer residents, support may cover up to 50% of the project's eligible investment.
- Historic preservation projects: The MSF may approve up to three projects annually at 50% of eligible investment.
- Grants are limited to $1.5 million per project.

Application Process:

Local review & community support
Pre-application & MEDC evaluation
Needs analysis & Letter of Interest (LOI)
Full application & financial review
Approval by the Michigan Strategic Fund Board
Project execution & reporting compliance

City planners should use MCRP to unlock redevelopment potential, align incentives with community goals, and encourage investment in vibrant, mixed-use projects.

What is the MI Neighborhood Program?

MI Neighborhood (MIN) 2.0 is a housing-focused grant program administered by MSHDA to support:

- **Rehabilitation of occupied housing units**
- **Rehabilitation of unoccupied housing units (new units)**
- **MIN aligns with regional action plans and Michigan’s Statewide Housing Plan to address housing supply shortages and aging housing stock.**

Program Goals:

🏡 **Preserve existing housing stock through occupied rehabilitation.**

🏗️ **Increase housing supply through new unit development and unoccupied rehabilitation.**

📊 **Promote data-driven, equitable regional investment strategies.**

How MI Neighborhood Works

Eligible Applicants:

✅ Nonprofit Organizations (501c3) serving Michigan communities.
✅ Local Governments (cities, townships, counties, housing authorities).
✅ For-Profit Developers registered with LARA, holding EIN and SAM.gov credential. s.

❌ Individuals are not eligible applicants.

Funding Categories & Limits:

💰 Beginner Level: (0-2 completed projects) - $25,000 to $200,000
💰 Intermediate Level: (3-4 completed projects) - Up to $400,000
💰 Advanced Level: (5+ completed projects) - Up to $2 million

🔹 Requests over $400,000 require 1:1 leverage of additional funds.
🔹 For grantees that own assisted properties, an equity contribution of at least 10% of total development cost is required.

Why Should Cities Use MI Neighborhood?

✅ Supports community revitalization through targeted housing investment.
✅ Reduces housing shortages in high-need areas.
✅ Promotes equitable development, prioritizing lower-income households (at least 20% of units need to serve 60% AMI households or less).
✅ Encourages local collaboration with nonprofits and developers.

For Developers & Nonprofits:

🏡 Funds critical housing improvements with grants (not loans).
📉 Reduces financial risk for rehabilitation and new unit development.
🔄 Streamlined application process with rolling submissions.

What Planners Need to Know

Occupied Housing Rehabilitation:

- Energy efficiency improvements
- Accessibility modifications
- Exterior repairs & minor home repairs
- Comprehensive rehabilitation

New Unit Development (Unoccupied Rehab):

- Construction of single-family homes (for sale or rental)
- Redevelopment of vacant residential parcels
- Adaptive reuse of vacant single-family homes

Program Restrictions & Considerations:

- Demolition is NOT covered under MIN.
- Only housing projects (not mixed-use or commercial structures) are eligible.
- Funds must be fully disbursed within 24 months of grant approval.
- A five-year lien is placed on properties receiving over $10,000 in assistance

Planners can strategically use MIN funding to support local housing goals, preserve affordable housing, and revitalize communities without adding local tax burdens.

What is the Revitalization and Placemaking Program?

The RAP Program is an incentive initiative by the Michigan Economic Development Corporation (MEDC) aimed at addressing community revitalization needs.

It focuses on rehabilitating underutilized buildings, preserving historic structures, and developing permanent place-based infrastructure in traditional downtowns and social zones.

Program Goals:

- Promote population and tax revenue growth.
- Create environments that attract and retain talent.
- Expand housing options.
- Facilitate business creation and attraction.
- Provide resources for Michigan citizens and communities.

What to Know on RAP

Eligible Projects

1. Real Estate Rehabilitation and Development:
   a. Targeting vacant, underutilized, blighted, or historic structures.
   b. Applicants: Non-profits, local economic development organizations, private real estate developers.
2. Public Place-Based Infrastructure:
   a. Developing permanent infrastructure in traditional downtowns, social zones, and outdoor public spaces.
   b. Applicants: Municipalities, Downtown Development Authorities, local Land Bank Authorities, community-focused non-profits.
3. Façade Improvement Program Implementation:
   a. Enhancing building exteriors to improve streetscapes in downtowns and neighborhood commercial areas.
   b. Applicants: Economic development organizations, public entities managing active local façade improvement programs.

Funding Structure:

- **Grants are performance-based and awarded for individual projects or as part of subgrant programs.**
- **Funding is provided to cover eligible costs, including property acquisition, construction, site improvements, and professional fees.**

EGLE Brownfield Grants and Loans

Facilitate the redevelopment of contaminated properties to promote economic growth and environmental revitalization in Michigan communities.

Eligible Applicants:

- Local units of government, including:
- Brownfield Redevelopment Authorities (BRAs)
- Economic Development Corporations
- Other public bodies established under state law

Funding Details:

- Grants:
- Up to $1 million per project
- Aimed at properties with confirmed contamination and a defined redevelopment plan

Loans:

- Up to $1 million per project
- 1.5% interest rate
- 15-year term, including a 5-year interest-free, payment-free grace period

Designed for properties with suspected contamination and significant economic development potential

What to Know on EGLE

Eligible Activities:

- Environmental assessments and Baseline Environmental Assessments (BEAs)
- Due care planning and implementation
- Response activities, including contamination cleanup
- Demolition, and abatement of lead, mold, and asbestos (subject to specific criteria)

Application Process:

- Applications are accepted year-round
- Applicants should coordinate with EGLE Brownfield Coordinators to discuss project specifics and application requirements

Benefits:

- Revitalizes abandoned or underutilized properties, returning them to productive use and the tax roll
- Attracts private investment, leading to job creation and increased property values
- Mitigates environmental hazards, ensuring safer and healthier communities

What are Low Income Housing Tax Credits?

Established under the Tax Reform Act of 1986, the Low-Income Housing Tax Credit (LIHTC) is a federal program designed to promote the development and preservation of affordable rental housing for low-income households.

How Does It Work?

- **The program offers tax credits to investors in qualified affordable housing projects, allowing them to offset a portion of their federal tax liability over a 10-year period.**
- **In Michigan, the program is administered by the Michigan State Housing Development Authority (MSHDA), which allocates credits to developers through a competitive process.**

Low-Income Housing Tax Credits

- Annual Credit for 10 years

Project must qualify on three criteria

- Income/occupancy ✓
- Rent ✓
- State approval ✓

Income/Occupancy

- 20% of the units must be occupied by tenants with incomes below 50% of the median

OR

- 40% of the units must be occupied by tenants with incomes below 60% of the median
- If mixed income, all tenants (including market rate) must be income certified yearly
- Income averaging is allowed as long as the occupancy rule is met

Rents

- All units designated for low-income occupancy have rent restrictions based upon the number of bedrooms and the assumed household size (1.5 persons per bedroom)
- Rent cannot exceed 30% of the income qualifier (either 50% or 60%) for the assumed household size, including all utilities

Two-Bedroom Unit Example:

Assume household size is 2-bedroom x 1.5 persons/bedroom = 3 persons

Median income for 3 person household is $40,000

60% of the median is $24,000 or $2,000 per month

Maximum rent is 30% of $2,000 per month

Maximum rent is $600 per month

Utility allowance is $80 per month, so maximum contract rent is $600 - $80 = $520 per month

State Approval

- In 2024, each state receives $2.90 in LIHTCs per resident per year ($3,360,000 minimum for small states)
- State agency allocates credits
- At least 10% set aside for non-profits
- Qualified allocation plan must consider energy efficiency and preservation of affordable housing

New Construction/Substantial Rehabilitation

- Annual credit for 10 years
  - New construction
  - Substantial rehabilitation is greater of $6,000 per unit or 20% of building basis
- 9% on all improvement costs not funded with tax-exempt financing
- 4% on all improvement costs, regardless of financing source
- Floating rate ended by Congress December 2020
- 30% basis increase for Difficult Development Areas (DDA) and Qualified Census Tracts (QCTs)

Eligible Costs

Include

- Construction Costs
- Permits & Fees
- Construction Financing Expenses
- Property Taxes & Insurance
- Architectural & Engineering
- Performance Bonds
- Furnishings
- Environmental Assessments
- Developer Fee
- Contingency (if spent)
- Development Consulting

Exclude

- Permanent Financing Expenses
- Reserves
- Marketing
- Tax Credit Application Fee
- Syndication Costs (legal, audit, consultation)
- Acquisition
- Off-site Improvements
- Costs for non-residential
- Organizational Expense
- Any Expense Paid for with Tax-Exempt
- Financing

New Construction
in Difficult Development Area (DDA)

Uses

$500	Land
$4,000	Residential Construction
$1,000	Commercial Construction
$5,500	Total

Sources

$1,000	Conventional Loan
$522	CDBG
$3,978.	Equity
$5,500	Total

LIHTCS

$4,000	Residential Construction
x 1.3	
5,200	Credit Basis
x0.09	Credit Rate
$468.	Max. Annual LIHTC

Equity Raised

$468	Annual LIHTC
x 1.0	No. of Years
4,468.	Total LIHTC
x0.85	Purchase Rate
$3,978.	Equity Raised

LIHTC Rehab Credit

- Annual credit for 10 years
  - 4% of building value only
  - Previous owner must have owned building for 10 years
  - Available only with substantial rehabilitation
- No 30% basis increase on acquisition credits

Who uses LIHTCs

- Corporations
- Individuals can use to offset taxes on some non-passive income
- Persons with substantial passive income

Key Features & Benefits of LIHTC

Allocation Process:

- Developers submit applications to MSHDA, detailing their proposed projects.
- Projects are evaluated based on criteria outlined in the state's Qualified Allocation Plan (QAP), which reflects Michigan's housing priorities.

Benefits:

- For Investors: Receive a dollar-for-dollar reduction in federal tax liability over 10 years, along with potential additional tax benefits such as losses and depreciation.
- For Communities: Encourages private investment in affordable housing, leading to increased availability of quality rental units for low-income residents.
- For Developers: Provides a significant source of equity financing, reducing the need for debt and enhancing project feasibility.

What about USDA Housing Incentives?

Rural Housing Site Loans

Purpose: Provide financing for purchasing and developing housing sites for low- and moderate-income families in rural areas.

Types of Loans:

- Section 523: For sites developed through the Self-Help method.
- Section 524: For sites with no specific construction method requirements.

Eligible Applicants: Private or public non-profit organizations.

Loan Terms:

- Section 523: 3% interest rate over 5 years.
- Section 524: Below-market interest rate, fixed at closing, over 5 years.

What about USDA Housing Incentives?

Housing Preservation Grants

Purpose: Provide grants to organizations for the repair or rehabilitation of housing owned or occupied by low- and very-low-income rural residents.

Eligible Applicants: State and local governments, non-profit organizations, and federally recognized Tribes.

Use of Funds: Organizations can offer grants or low-interest loans to homeowners, rental property owners, or cooperative housing complexes for necessary repairs and rehabilitation.

USDA Multifamily Programs

Multifamily Housing Direct Loans (Section 515)

- Purpose: Provide competitive financing for affordable rental housing development for low-income, elderly, or disabled individuals and families in eligible rural areas.
- Eligible Applicants: Individuals, trusts, associations, partnerships, non-profit organizations, for-profit corporations, consumer cooperatives, most state and local governmental entities, and federally recognized Tribes.
- Use of Funds: Construction, improvement, and purchase of multifamily rental housing; land acquisition; infrastructure development.

Multifamily Housing Loan Guarantees (Section 538)

- Purpose: Work with qualified private-sector lenders to provide financing to increase the supply of affordable rental housing for low- and moderate-income individuals and families in eligible rural areas.
- Eligible Applicants: Qualified borrowers, including non-profit and for-profit entities.
- Use of Funds: New construction, acquisition, and rehabilitation of multifamily properties.
- Loan Terms: Up to 40-year fixed-rate, fully amortizing loans; leverage up to 90% loan-to-value (97% for non-profits).

When Should Communities use USDA Rural Multifamily?

When they aim to:

1. Increase Affordable Rental Housing in Rural Areas

- If there is a shortage of safe, decent, and affordable rental housing for low- and moderate-income families.
- If private developers are not building sufficient rental units due to lack of financial feasibility in rural markets.
- If existing rental housing is deteriorating and in need of rehabilitation.

2. Preserve Existing Affordable Housing

- If a community has aging USDA-financed rental properties that need repair or modernization to remain habitable.
- If there are concerns about losing affordable rental units as property owners exit the program or convert units to market rate.
- If landlords struggle with maintenance costs, and tenants face potential displacement.

When (cont.)

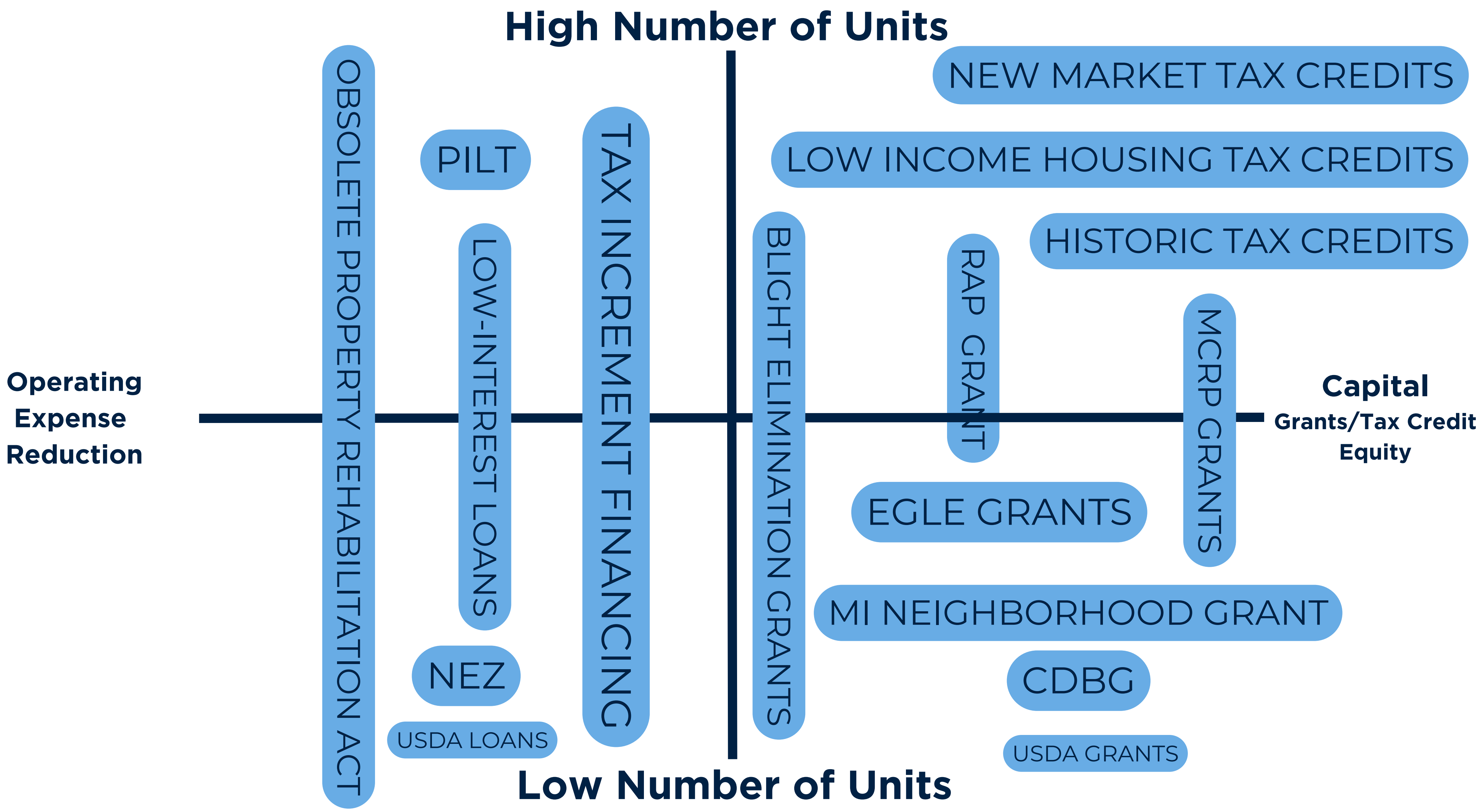
3. Address Farmworker and Workforce Housing Needs
   - If the local agricultural economy relies on seasonal or year-round farmworkers who need stable, affordable housing.
   - If local businesses struggle to attract workers due to lack of available rental units at reasonable prices.
4. Leverage Long-Term, Low-Cost Financing
   - If a community needs financing with low interest rates and long loan terms (up to 40 years) to make rental housing development feasible.
   - If developers and local governments need gap funding to make projects work financially.
   - If local organizations want to rehabilitate or construct rental housing while keeping costs manageable for tenants.
5. When Other Affordable Housing Funding Sources Are Limited
   - If traditional financing (e.g., LIHTC or conventional loans) is insufficient to support rural housing projects.
   - If a project cannot secure other funding sources but meets USDA’s rural eligibility requirements.

FUNDING THE GAP

WHAT TO KNOW ABOUT HAVING MORE SOURCES AS PART OF A PROJECT

- Are you prepared to have additional stakeholders control on the project or exercise control requirements on a project?
- When and how does the incentive come into the project? Are there tax repercussions the development team needs to be mindful of?
- What are the regulatory and compliance requirements? What costs are associated with those requirements?
- Do you have the funding's priorities programmed into the project already or will it require you to stretch the business plan offering or recalibrate to meet the funding objectives?

Discussion


High Number of Units
Low Number of Units
Operating Expense Reduction
Capital
Grants/Tax Credit Equity
OBSOLETE PROPERTY REHABILITATION ACT
PILT
LOW-INTEREST LOANS
NEZ
USDA LOANS
TAX INCREMENT FINANCING
BLIGHT ELIMINATION GRANTS
NEW MARKET TAX CREDITS
LOW INCOME HOUSING TAX CREDITS
HISTORIC TAX CREDITS
RAP GRANT
MCRP GRANTS
EGLE GRANTS
MI NEIGHBORHOOD GRANT
CDBG
USDA GRANTS

Thank you!

Jenifer Acosta
Housing Forward
jacosta@mbami.org