



HOUSING FINANCE MEETING #1

July 9, 2015
10:00 am to 12:00 pm
City of Grand Rapids Parking Services
50 Ottawa NW, 49503

WORKGROUP MEMBERS PRESENT: Chris Bennett, Jeremy DeRoo (Co-Chair), Sue DeVries, Bob Gilewski, Ruth Kelly, Tom Kent, Jonathan Klooster, and Denavvia Mojet

STAFF PRESENT: Erin Banchoff, Connie Bohatch, Jonathan Klooster, Johanna Schulte, and Kara Wood

WELCOME AND INTRODUCTIONS: Jeremy DeRoo (Co-Chair)

Mr. DeRoo welcomed the workgroup participants and facilitated member introductions. Connie Bohatch discussed the SharePoint Collaboration site and introduced a toolkit comprised of various housing strategies and policies. She mentioned the Toolkit can be updated as needed.

June 12, 2015 Workgroup Kickoff meeting notes were reviewed.

TOOLKIT DISCUSSION:

The group reviewed applicable tools in the Toolkit.

Brownfield Redevelopment: Jonathon Klooster explained that the Grand Rapids Brownfield Redevelopment Authority (BRA) uses tax increment financing (TIF) which is the capture of incremental tax increases that can be reimbursed to developers for certain eligible activities. There are also other grant and loan programs related to Brownfield Redevelopment projects, but these are typically project specific. The group discussed how Brownfield TIF is used and the limitations when a developer also applies for Payment in Lieu of Taxes (PILOT) as there is then no tax increment to be captured. Mr. DeRoo asked whether these programs could require local workers. Ms. Wood answered that there is State legislation that prevents tying those requirements to projects. The group thought the Economic and Workforce Development workgroup could continue to look into that. Ms. Wood mentioned it may be easier to discuss what the group wants to see (i.e. mix of affordable and market rate) and then staff could suggest policy and program that could be relevant, and potential changes to utilization as opposed to going through the details of all the tools first. Ms. Wood mentioned the sales tax refund policy example in the toolkit would require changes at the state level.

The group decided to continue to look through the toolkit and then go back and review broader goals.

Business Improvement Districts: Mr. Klooster discussed the use of the dollars are limited to the improvement of the district as a whole (banners, beautification, etc). Ms. Wood mentioned the page might be better changed to Special Assessment to encompass other kinds of special assessment designations. The group discussed this tool might not be the highest priority.

Community Land Trusts (CLTs): Connie Bohatch explained CLTs are nonprofits that can hold properties for a long period of time, and that land improvements are then owned separately from the underlying land. There is a limit on the equity that can be taken out of the home which ensures long-term affordability. This tool has not been used in Grand Rapids. Dwelling Place attempted to use a CLT for the Wealthy Heights development, but MSHDA did not support the

use of the tool. Sue DeVries, MSHDA, said MSHDA has been unwinding some CLTs. Since the term of holding is so long, in some cases, the non-profit fails or no longer has the capacity to maintain the project. Ms. Wood asked what the definition of affordability is for these projects. Ms. Bohatch answered that it depends on the definition according to the entity that provides financing. Ms. DeVries mentioned Traverse City implemented a CLT because the prices were going up substantially and they had specific goals that the CLT met. Mr. DeRoo mentioned cases in which there are two very different abilities to pay for housing (like student housing in Boston neighborhoods) reap the most benefits from CLTs. Ms. Wood asked whether this model could be used for senior housing. Commissioner Kelly mentioned the market changes are leading towards a large influx of seniors. Ms. DeVries said the next housing crisis will be the senior sell-off.

Corridor Improvement Districts (CIDs): The group discussed that CIDs will have more of an effect on private housing than the BIDs. Ms. Wood suggested all of the TIFs could be combined on the same page.

Credit Enhancement Programs: Mr. Klooster provided program details. Credit Enhancement Programs are more effective when interest rates are high and currently they are relatively low.

Employer Assisted Housing (EAH): Ms. Bohatch described employer assisted housing programs. Ms. DeVries mentioned Midtown Detroit is using them to assist with down payment assistance, home repairs, and rental assistance. Traditionally the money for the City's EAH program came from Community Development CDBG funds. Now it comes from the general fund. Ms. Wood mentioned EAH is included in the Michigan Street Corridor Plan. Ms. DeVries mentioned Detroit found it worked well when a program was time-limited and was used for a specific goal. Ms. Wood mentioned that this strategy was also included as a recommendation in the Michigan Street Corridor Plan. Mr. Klooster mentioned it would be important to coordinate with transportation systems which could result in a broader geographic area than simply focusing on areas around employers. The group discussed whether there needs to be more awareness about the Good Neighbor Next Door program (HUD).

General Obligation Housing Bonds: The group discussed bonds are allowed by state law and whether they require a vote or the good faith and credit of the City. The group decided to move forward but acknowledged it could be a possibility.

Home Rehabilitation Assistance: CDBG and HOME funds support this program. The program has been in place since 1975. Ms. Bohatch mentioned the City has a partnership with Mercantile Bank of Michigan that provides access to the Neighborhood Investment Plan (NIP) funds through the Federal Home Loan Bank of Indianapolis. The group discussed whether the City might ever need to go through multiple banks. The program has an \$850,000 budget.

Homeownership Education: The group did not feel much discussion was necessary on the topic during this meeting.

Housing Trust Funds: Ms. Bohatch explained there is a Michigan affordable housing trust fund but it's not funded. Commissioner Kelly said it would be good to look at this tool. Ms. Bohatch said the City of Seattle has a dedicated mileage that funds a housing trust fund. She said there's desire in the city for mixed-income housing which could be addressed with a housing trust fund. Bob Gilewski mentioned banks are able to contribute to low-income affordable housing but as soon as the money goes towards market-rate as well, they can no longer assist in funding. Illinois has a housing trust fund that is funded by real estate transfer fees. The group discussed looking at something similar in MI.

HUD Programs: Ms. Bohatch briefly reviewed the HUD programs listed. They are typically given directly to developers. She discussed Section 108 which the City has chosen not to use because the current and future CDBG funds are used as a loan guarantee which could put other important programs at risk. The group discussed some communities are really hurting because of the risk associated with this program.

Impact Fees: Mr. Klooster discussed how this tool is used more on the West Coast where market-rate is very expensive and population growth is significant. He said there would have to be research on what a legally defensible fee would be. Commissioner Kelly asked whether this could be used in neighborhoods that have experienced rapid gentrification. Mr. Klooster said he was uncertain whether a nexus study would confirm that there was enough of a relationship between the new market rate developments and the demand they could create for affordable housing.

Several tools remain to be reviewed.

PLANNING AND ANALYSIS:

The group discussed some goals for moving forward. Mr. DeRoo asked the group what goals they have for developing recommendations.

The group discussed mixed-income and what balance might be appropriate. They decided their role will be to see what tools can be used to encourage mixed-income neighborhoods. They will also look at market-rate and affordable funding sources and determine how to target them geographically. They will look at how to target the funding sources and incentives to encourage whatever a given neighborhood needs.

Goals for future meetings include the following:

1. Geographic analysis: The group will seek to develop a strategy that could be used long-term to evaluate and prioritize market rate vs. affordable housing within geographic areas. They would then look at which tools could be used to incentivize the type of development that is desirable to achieve a mixed-income neighborhood.
2. The group decided that another goal would be to explore whether existing programs could be better coordinated to make sure that the City can incentivize and allow developers to leverage tools to support projects that would create mixed-income neighborhoods.
3. The group will also explore tools that are not, or have not yet been, used in Grand Rapids to determine whether any additional financing tools could be implemented in Grand Rapids.

The group members decided they will focus on one goal at each of the remaining meetings. There will need to be communication with the Economic and Workforce Development workgroup on any overlap. The group would like neighborhood incomes mapped. Ms. Bohatch said the City is hoping to have that data by their next meeting. The group decided to start with goal #1 at its next meeting.

Next Meeting: July 23, 2015 10:00 am-12:00 pm