# HOUSE RESEARCH

## Bill Summary

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**Version:** As introduced

**Authors:** Anderson, P. and others

**Subject:** TIF for workforce housing

**Analyst:** Joel Michael, joel.michael@house.mn



## Overview

This bill allows the use of economic development TIF for workforce housing projects—essentially projects that assist market rate, rental housing, none of whose tenants would be required to satisfy income limits. To qualify, the city must make findings regarding the need for the housing, based on local employment and housing market conditions.

These changes are effective for TIF districts for which the request for certification is made after June 30, 2017.

<u>**Section**</u>

1 **Economic development districts.** Modifies the definition of economic development districts to authorize the municipality to make the alternative findings for workforce housing projects authorized by section 2.

2 **TIF plan approval; workforce housing projects.** Specifies the findings that a city must make to approve an economic development TIF district for workforce housing:

- the city is located outside the seven-county, Twin Cities metropolitan area (defined by reference to the Metropolitan Council's jurisdictional area);
- average vacancy rate for rental housing in the city or any other city within 15 miles is three percent or less for at least the last two years;
- a business in the city or within 15 miles of the city that employs 20 or more full-time equivalent employees has provided a written statement that the lack of available rental housing has made it difficult to hire employees; and

**Section**

- the city intends to use increments to develop workforce housing.

3 **Economic development district.** Allows the spending of increments from an economic development district for workforce housing projects. Economic development districts are allowed to collect increment for nine years.

Under present law, economic development districts increment may only be used for:

- manufacturing;
- research and development;
- warehousing;
- telemarketing; or
- tourism projects in qualifying counties.

4 **Housing districts; income limits.** Allows the higher income limits under the Minnesota Housing Finance Agency (MHFA) Housing Challenge Program to be used for housing TIF districts, if the project receives an MHFA grant.

**Background information.** Housing TIF districts are allowed to collect 26 years of increment (as contrasted with nine years for economic development districts).

The income limits under present TIF law for rental housing require projects to meet the income limits under federal law (for tax credit and tax exempt bond financed projects). These limits require projects to meet either a 20-50 or 40-60 test. The 20-50 test requires that 20 percent of the units be occupied by tenants whose incomes (when they begin occupying the unit) are less than 50 percent of the greater of the area or the state median income. The 40-60 test substitutes 40 percent and 60 percent benchmarks in the same test. For 41 rural counties in 2016, the 50 percent income limit is $31,900 for a family of four and the 60 percent limit is $38,280. These limits are set based on the state median income, since it is higher than the county amount in those counties. By contrast, the MHFA Housing Challenge Program uses an 80 percent benchmark. In addition, that program does not require adjusting the income limits for family size, which provides additional flexibility for buildings with smaller units.