

TIF Set Aside Program Protocol

General Parameters

All projects shall meet the general project parameters as follows:

- Applicants for TIF set-aside funds may be a registered non-profit tax-exempt corporation or a for-profit corporation or limited liability company.
- All applications for TIF set aside funds must include identification and site control of a specific site within the eligible district.
- All properties proposed for TIF assistance shall pay ad valorem taxes.
- A dwelling unit shall be defined as an 'affordable unit' where the tenants/owners are at target median income and pay no more than 30% of gross income for rent or Principal, Interest, Taxes and Insurance (and condo or homeowner association fees if applicable) respectively. (The Target median income shall be derived from the priorities established by the designated TIF District committee.) The period of affordability shall be the greater of 20 years or life of the tax incremental finance district.
- Rents for the affordable units cannot exceed the current Section 8 Fair Market Rent for the unit size, as determined by the Federal Department of Housing and Urban Development. The sole exception to this rent level is the 'exception rent' approved by the Community Development Authority for those units that have an approved Section 8 voucher holder, meet Section 8 Housing Quality Standards, and are specifically located within an 'exception rent' neighborhood designated by the Community Development Authority.
- Homeownership housing units shall be targeted to households who have not owned a home or property within the last three (3) years, except for individuals who qualify as displaced homemakers or who are dividing their household as a result of divorce or dissolution of a City registered domestic partnership.
- The term of the direct TIF assistance shall be a forgivable loan for the 'period of affordability'. If the rental housing is sold or changes use from the original agreement prior to the end of the period of affordability, then the developer/owner shall pay to the City an amount equal to the amount of the original TIF investment (plus the 'equity kicker' detailed below). For owner-occupied housing developed for sale to low-income buyers, the term of repayment for the developer will be transferred to the homebuyer, and to successive generations of income-eligible buyers until the end of the original period of affordability. In the event that the direct loan payback is received after the closure of the TIF District, the City shall deposit the funds in the Housing Trust Fund, less staff costs associated with the recovery of the funds.
- In addition to the original loan agreement and amount, the City will require the developer to enter into a developer agreement to pay to the City, upon sale or transfer of the assisted property during the period of affordability, a portion of the appreciated value that is determined by the percent that the TIF funds represent in the property. In the case of resale by an individual income-eligible buyer during the period of affordability, the City may roll the equity kicker due from the pre-20 year sale into financing for the next income eligible buyer with the terms of repayment equal to the pro-rated appreciated value of the equity kicker. The City shall deposit any repaid 'equity kicker' funds in the Housing Trust Fund for use for additional affordable housing.
- All projects must meet the "but for" criteria, which would certify that if not for the TIF funds the project would not occur. In no case shall the per-unit subsidy amount exceed \$25,000 in rehab assistance or \$45,000 for development of new units. An additional \$5,000 per unit may be considered when necessary for projects to provide for fully accessible units, high air quality, energy conservation or lead paint hazard reduction efforts. (Rehab means the labor, materials, tools and other costs of improving buildings, other than minor or routine repairs.)

- A minimum of 85% of TIF funds must be used for hard costs, such as construction costs, soils/site preparation, landscaping, etc.; 15% may be used for soft costs related to the capital improvements, development, or construction of the assisted unit(s). All TIF-covered costs must be demonstrated to be reasonable and comparable to the construction of other similar developments.
- The project may not exceed a 90% loan-to-value ratio, based upon the post-improvement value of the assisted unit.
- All TIF Set Aside funds must be expended within seven (7) years of the creation of the TIF district.

Priorities and Preferences

Each district-specific ad hoc group will determine the following priorities and preferences:

Priorities:

- Targeted distribution between ownership and rental options;
- Targeted income levels within the parameter of 80% County median income or below;
- Targeted distribution between improvement to existing property owners versus creation of new units.

Preferences:

- Preferred size of the development (i.e., scattered size versus large complex, etc.);
- Preferred site to be developed or assisted.
- Preferred type of housing unit (i.e. SRO, small family, large family, single family, condo, etc.).

*Note: Program protocols will be implemented consistent with the previously approved "A Text Description of a TIF Affordable Housing Process" (attached).