

## City of Holland

### Housing Development Support Policy

Inviting, Thriving, Resilient

#### Vision

The City of Holland is a thriving community with a diverse population and a dynamic, growing economy. The City fosters collaborative relationships with corporate, non-profit, philanthropic and municipal partners to ensure long-lasting prosperity for all members of the community. In this effort, the City prioritizes the use of local economic and community development tools to ensure strategic investments in the City produce equitable results while pursuing long-term economic sustainability.

#### Principles for Neighborhood Investment

- **Vibrant & Diverse:** Prioritize the creation of dynamic, mixed-income neighborhoods. Encourage a broad range of housing prices, sizes, types and densities across the City.
- **Meaningful Connections:** Catalyze local place-making. Support balanced neighborhoods with access to jobs, housing, education, recreation, and opportunities for economic exchanges. Provide ample opportunity for people to access the natural environment with ease.
- **Quality & Value:** Encourage building types that demonstrate quality, durable and adaptable construction methods while respecting the historic tradition of the neighborhood and providing for new iterations on familiar architectural themes.

#### Critical Strategies

- 1) Reserve incentives only for those firms/developments that will advance achievement of the Principles for Neighborhood Investment.
- 2) Leverage private investment to enhance public infrastructure, opportunity for growth and improvements in quality of life for residents, workers and students in the City of Holland.
- 3) Support housing at all price points (starter, mid-market & luxury). Seek an appropriate balance of housing types and sizes within the City. Structure incentive offerings according to defined gaps in current market offerings, stated community needs, and ability to leverage funding from other sources. Housing incentives are offered where there is a desired mix of affordable/market rate housing and where the market has failed to provide the desired balance of housing without incentives.
- 4) Support the growth and preservation of vibrant, holistic neighborhoods (live, work, play & learn).

### **Targeted Objectives**

- 1) Develop clear process and policy for application and financial review of all incentive requests.
- 2) Provide City Council with consistent method for measuring the total cost to the City, quality of proposed development, and measurable public benefits intended to result from local incentives.
- 3) Ensure that development proposals clearly articulate why an incentive is necessary and what public value that incentive is expected to produce.
- 4) Establish S.M.A.R.T evaluative tools (Specific, Measurable, Attainable, Relevant and Time-based) to track return on investment.

### **Policy Review**

This policy and corresponding documents shall be reviewed and updated on a periodic basis.

[Approved by City Council 10/21/2020]

## **Housing Development Support Program Incentives and Guidelines**

### **Purpose**

The purpose of the City of Holland Housing Development Support Program is to encourage and promote investment and redevelopment along strategic corridors and within targeted neighborhoods. Development support incentives shall be used to leverage private investment to:

- Create and/or strengthen economically resilient and mixed-income neighborhoods
- Provide access to improved housing choice across all price points, types and sizes
- Improve mobility options for people of all abilities
- Increase availability of meaningful work and livable wages
- Improve access to neighborhood and regional goods and services
- Support high quality, durable design and construction techniques
- Enhance or replace public infrastructure

### **Process**

The City Council shall base any decision regarding any particular incentive or the layering of multiple incentives upon staff review and recommendation of support, which will be based largely on the project's score on the *Housing Development Assessment Tool* (attached for reference). The ten indicators listed demonstrate the types of characteristics and components that the City of Holland seeks to see incorporated in new housing and mixed-use developments. Development projects seeking incentives must be able to document compliance with all indicators for which they hope to achieve a positive score. You are encouraged to provide additional documentation or narrative support to aid the City in evaluating your proposal accurately by using the attached *Narrative Response Form*.

### **Incentive Programs**

The City of Holland is willing to utilize the following local tools and programs to support investments:

- Act 381 Brownfield Tax Increment Financing
- Neighborhood Enterprise Zone (NEZ)
- Payment in Lieu of Taxes (PILOT)
- Obsolete Property Rehabilitation Act (OPRA), Commercial Rehabilitation & Commercial Redevelopment Acts
- Community Development Block Grant (CDBG)

### **Act 381 Brownfield Redevelopment Requests**

Act 381 Brownfield Redevelopment tax increment financing is a key incentive tool for many types of redevelopment in an urban setting such as Holland. It provides for a financing mechanism to redevelop sites that may not otherwise redevelop, and also is used for all types of development and not just housing development. As such, the City will typically support Act 381 requests in most instances allowed by state law and supported by state participation in the tax increment capture.

The City of Holland *may* provide up to:

- 100% of the available tax increment on a per annum basis when reviewing brownfield projects for Act 381 reimbursement related to eligible *public infrastructure* expenses and *environmental cleanup activities* as defined within Act 381 and supported by EGLE and the MEDC. This would apply to non-residential redevelopment projects, but also to “for-sale” housing developments compared to “for-rent” housing.
- 50% of available increment for all other non-infrastructure eligible activities.

City Council *may* consider a contribution of more than 50% of available tax increment for reimbursement of non-infrastructure related eligible activities if:

- When applied to “for-rent” housing, the proposal includes a provision to maintain a minimum of 10% of all residential units as affordable for residents earning less than 80% of area median income (AMI) for a period not less than the period of tax increment reimbursement.
- The City of Holland shall not reimburse developer’s interest costs unless the State of Michigan has also elected to reimburse interest costs.

The final amount of tax increment revenue to be reimbursed to the applicant shall be based upon staff review and recommendation of the applicant’s score on the Housing Development Assessment Tool.

City reimbursement shall also be dependent upon satisfactory review of the proposed project by City staff and a recommendation that the project satisfies the Principles for Neighborhood Investment.

## **Neighborhood Enterprise Zones (NEZ)**

### **Two-family dwellings.**

- The City may allow for up to the full 12-year abatement where the applicant proposes to maintain affordability for individuals earning less than 80% AMI on one of the two dwellings.

### **Mixed Use Projects.**

- The City may allow for up to the full 12-year abatement where the applicant proposes to maintain affordability for individuals earning less than 80% AMI on a minimum of 15% of the total number of units at all times. A lesser percentage of units maintained for households earning 80% of AMI or below shall result in a shorter period of tax abatement. The number of years negotiated shall be dependent upon staff’s assessment of the impact the project will have on the broader neighborhood and the level of public benefit offered as a result of the investment.

## **Payment in Lieu of Taxes (PILOT)**

The City of Holland *may* consider the use of the Payment in Lieu of Tax (PILOT) program to support an applicant’s pursuit of funding through the Michigan State Housing Development Authority (MSHDA). City review shall include the following:

- Staff review shall include a complete financial analysis of the applicant’s proposed project including the final proforma as submitted to MSHDA.
- Priority shall be given to projects which provide a mix of market rate and affordable units.

- Staff may hire an independent third party to conduct a financial review of the proposed project and staff may require that the applicant provide up to a \$5,000 escrow to fund any activities associated with the independent financial review of their proposal. Any funds not expended shall be returned to the developer within 10 days of the City Council decision to support or deny the applicant's request.
- The City Council shall provide a statement of findings related to the Principles for Neighborhood Investment and the Housing Development Assessment Tool score when making final decisions regarding the approval or denial of a PILOT request.

### **Obsolete Property Rehabilitation, Commercial Rehabilitation, and Commercial Redevelopment Acts**

The State of Michigan has enabled local municipalities, under specified circumstances, to abate a portion of the local taxes for a limited period of time. Each of these enabling statutes functions in generally the same manner and for a period of up to 10-12 years depending upon the determination of the local governing body. However, each statute has specific eligibility criteria and detailed instructions as to how an abatement may be provided.

The City of Holland may grant a temporary tax abatement, up to the full term as enabled by State legislation under P.A. 146, P.A. 210, OR P.A. 255, only where the development includes residential units. The abatement shall only be available where a minimum 10% of the units or not less than one (1) residential unit, whichever is greater, is maintained as affordable to households earning 80% of Area Median Income or less.

### **Community Development Block Grants (CDBG)**

As an Entitlement Community, the City of Holland is allocated approximately \$300,000 of federal funds annually from the Department of Housing and Urban Development (HUD). A portion of this annual allocation may be allocated to housing within the City limits. Eligible activities and developments shall meet one of three national objectives:

1. Benefit low to moderate income people
2. Aid in the prevention of slums and/or blight
3. Provide for an urgent need

Examples of eligible activities are: housing acquisition and rehabilitation, public services, and public facilities that benefit low to moderate income people.

### **Layering Incentives**

The City of Holland may consider the layering of multiple tax incentives to support high quality, neighborhood-oriented redevelopment.

However, the layering of multiple incentives should demand the highest standard of quality, durability and community benefit.

The City Council shall base any decision regarding the layering of multiple incentives upon staff review and recommendation of support for the applicant's scoring on the Housing Development Assessment Tool.

## HOUSING DEVELOPMENT ASSESSMENT TOOL

The form below will be used by City staff and council as an advisory tool for evaluating proposed development projects that have expressed an intention to seek City managed/coordinated development incentives.

<b>Development Name:</b>		
<b>Address:</b>		
<b>Proposed Use:</b>		
<b>RESIDENTIAL and MIXED-USE DEVELOPMENTS</b>	<b>Item Value</b>	<b>Item Score</b>
<p><b>1.</b> The development incorporates plans to set aside a percentage of total units as affordable by selecting <u>one</u> of options a, b, or c; additional points are possible for also selecting option d. (See attached Income and Rent Limits document for affordability guidelines.)</p> <ul style="list-style-type: none"> <li>a. The development will set aside at least 10% of total units as affordable for households earning up to 80% MFI for at least 12 years. (Four points)</li> <li>b. The development will set aside at least 10% of total units as affordable, split as follows: 5% for households earning up to 60% MFI, and 5% for households earning up to 80% MFI, for at least 12 years. (Six points).</li> <li>c. An affordable unit set aside allotment of greater than 10% of proposed units and/or targeting a greater proportion of households with incomes up to 60% AMI is planned for at least 12 years. (Eight points).</li> <li>d. Extend commitment to maintaining affordable units for at least 20 years. (Four additional points).</li> </ul> <p><b>Staff Comments:</b></p>	<p>4</p> <hr/> <p>6</p> <hr/> <p>8</p> <hr/> <p>4</p>	
<p><b>2.</b> The development team has proposed to incorporate space for amenities to support residents (i.e. gathering/community spaces, parks, gardens, child care facility, etc.).</p> <p><b>Staff Comments:</b></p>	<p>0 - 2</p>	
<p><b>3.</b> The development is located a) within ¼ mile of a transit station/hub, <u>and</u> b) within ½ mile of a full-service grocery store, pharmacy, park, nonmotorized infrastructure, major employment area, commercial center, or other commonly utilized services/amenities, <u>and</u> c) plans create a positive pedestrian experience for residents and/or employees.</p> <p><b>Staff Comments:</b></p>	<p>0 - 4</p>	

<p>4. The development provides activation of ground floor and street level space in a way that benefits not only the residents of the proposed building but serves a broader neighborhood benefit (e.g., ground floor retail, community space accessible to non-residents, courtyards or gardens visible from the street, etc.).</p> <p><b>Staff Comments:</b></p>	0 - 2	
<p>5. The development team has established a comprehensive property management plan that addresses the following: tenant selection, certification of household income, preparation and enforcement of leases, affordable rent calculations, maintenance of waiting list, affirmative marketing of vacancies, rent collection, providing reasonable accommodations/modifications, ensuring accessibility for tenants with disabilities, tenant grievance process, and facility/grounds maintenance.</p> <p><b>Staff Comments:</b></p>	0 - 2	
<p>6. The development team has incorporated a substantial number of the items on the City's Sustainability Principles Checklist.</p> <p><b>Staff Comments:</b></p>	0 - 2	
<p>7. The development will utilize high quality materials and has been recommended by Planning Staff as having a building design that exceeds UDO-prescribed characteristics.</p> <p><b>Staff Comments:</b></p>	0 - 2	
<p>8. The proposed building design is compatible and/or complementary with the positive design elements of surrounding buildings and the immediate vicinity.</p> <p><b>Staff Comments:</b></p>	0 - 2	

<p>9. The development team intends to leverage state or federal resources in addition to the local request for support.</p> <p><b>Staff Comments:</b></p>	4	
<p>10. The development team provided reasonable evidence to demonstrate a clear need for local financial incentives and is requesting only the minimum amount of financial support needed to ensure long-term financial viability of the development, as determined by third-party reviewer.</p> <p><b>Staff Comments:</b></p>	4	
<p><b>TOTAL POSSIBLE POINTS/ TOTAL SCORE</b></p>	36	

**NOTE:** Above items, as warranted, will be included in a legal development agreement to ensure compliance. Standards will be included for occurrences when incentives are forfeited for noncompliance. The establishment of financial need (#10) will be evaluated by a third party, with fee for said evaluation to be paid by developer. The affordable unit allocation agreement will be monitored on an ongoing basis per the City’s third-party auditing requirements.

**SCORING GUIDANCE:** Higher scores will result in a greater likelihood of consideration for incentive options.



## Housing Development Assessment Narrative Response Form

Development projects seeking any of the incentives outlined in the *Housing Development Support Incentives* document are encouraged to use this optional form to provide supportive rationale regarding the project’s alignment with each of the ten scorable indicators on the *Housing Development Assessment Tool*. The project’s application for incentives will be scored by City staff and the results used in assessing eligibility for available incentives.

<b>Primary Contact Name:</b>	<b>Date:</b>
<b>Email and Phone:</b>	
<b>Development Name:</b>	
<b>Address:</b>	
<b>Proposed Use:</b>	

- 1. The development incorporates plans to set aside a percentage of total units as affordable units according to options listed on the *Housing Development Assessment Tool*. (Here or in other documentation, provide specifics about the project’s affordability plan.)**

Narrative:

- 2. The development team has proposed to incorporate space for amenities to support residents (i.e. gathering/community spaces, parks, gardens, child care facility, etc.).**

Narrative:

- 3. The development is located a) within ¼ mile of a transit station/hub, and b) within ½ mile of a full-service grocery store, pharmacy, park, nonmotorized infrastructure, major employment area, commercial center, or other commonly utilized services/amenities, and c) plans create a positive pedestrian experience for residents and/or employees.**

Narrative:

- 4. The development provides activation of ground floor and street level space in a way that benefits not only the residents of the proposed building but serves a broader neighborhood benefit (e.g., ground floor retail, community space accessible to non-residents, courtyards or gardens visible from the street, etc.).**

Narrative:

- 5. The development team has established a comprehensive property management plan that addresses the following: tenant selection, certification of household income, preparation and enforcement of leases, affordable rent calculations, maintenance of waiting list, affirmative marketing of vacancies, rent collection, providing reasonable accommodations/ modifications, ensuring accessibility for tenants with disabilities, tenant grievance process, and facility/grounds maintenance.**

Narrative:

- 6. The development team has incorporated a substantial number of the items on the City's Sustainability Principles Checklist.**

Narrative:

- 7. The development will utilize high quality materials and has been recommended by Planning Staff as having a building design that exceeds UDO-prescribed characteristics.**

Narrative:

- 8. The proposed building design is compatible and/or complementary with the positive design elements of surrounding buildings and the immediate vicinity.**

Narrative:

- 9. The development team intends to leverage state or federal resources in addition to the local request for support.**

Narrative:

- 10. The development team provided reasonable evidence to demonstrate a clear need for local financial incentives and is requesting only the minimum amount of financial support needed to ensure long-term financial viability of the development, as determined by third-party reviewer.**

Narrative:

**NOTE:** Above items, as warranted, will be included in a legal development agreement to ensure compliance. Standards will be included for occurrences when incentives are forfeited for noncompliance. The establishment of financial need (#10) will be evaluated by a third party, with fee for said evaluation to be paid by developer. The affordable unit allocation agreement will be monitored on an ongoing basis per the City's third-party auditing requirements.