



Item: Tax exemption for rental housing providing affordable housing to lower-income tenants, Rainbow House, 626 13th Avenue South, Mark 12, Fifteenth Addition to Great Falls, Cascade County, Montana

From: Mike Haynes, AICP, Director of Planning and Community Development

Initiated By: Homeword, Inc.

Presented By: Mike Haynes, AICP, Director of Planning and Community Development

Action Requested: Conduct Public Hearing to solicit comment on whether the Rainbow House, a qualifying low-income rental housing property, meets a community need.

Public Hearing:

1. Mayor conducts public hearing, calling three times each for opponents and proponents.
2. Mayor closes public hearing.

Suggested Motions:

No action is required by the City Commission. A record of the public hearing will be forwarded to the Department of Commerce, Board of Housing.

Staff Recommendation: Pursuant to Section 15-6-221. MCA, Exemption for rental housing providing affordable housing to lower-income tenants, staff requests City Commission conduct a public hearing to solicit comment on whether the proposed qualifying low-income rental housing property meets a community need. No action is required by the City Commission. A record of the public hearing will be forwarded to the Montana Department of Commerce, Board of Housing, for the purposes of considering the tax-exempt status of the project.

Background: Rainbow House is a 40-unit multifamily development located at 626 13th Avenue South, adjacent to the Benefis West campus at the southwest corner of 13th Avenue South and 7th Street South. Rainbow House provides long-term affordable rental housing for low and very-low income seniors and the disabled that earn 60% or less of the Median Area Income.

Homeword, Inc., a non-profit organization based in Missoula, and GMD Development have formed a Limited Liability Partnership and propose to acquire and rehabilitate the Rainbow House, preserving the existing affordable housing and the Section 8 rental assistance for at least another 46 years. See the attached letter requesting the public hearing for more details.

Section 15-6-221, MCA reads:

15-6-221. Exemption for rental housing providing affordable housing to lower-income tenants.

(1) That portion of residential rental property that is dedicated to providing affordable housing for lower-income persons is exempt from property taxation in any year that:

(a) the property is owned and operated by an entity, including but not limited to a limited partnership, limited liability corporation, or limited liability partnership in which a general partner is a nonprofit corporation exempt from taxation under section 26 U.S.C. 501(c)(3), as amended, and incorporated and admitted under the Montana Nonprofit Corporation Act as provided in Title 35, chapter 2, or is a housing authority as defined in [7-15-4402](#) and the nonprofit general partner actively participates in accordance with the definition found in 26 U.S.C. 469(i). Section 26 U.S.C. 469(i) is applicable without reference to section 26 U.S.C. 469(i)(6).

(b) the board of housing, established in [2-15-1814](#), has allocated low-income housing tax credits to the owner under 26 U.S.C. 42, which requires that:

(i) at least 20% of the residential units in the property are rent-restricted, as defined in 26 U.S.C. 42, and rented to tenants whose household incomes do not exceed 50% of the median family income, adjusted for family size, for the county in which the property is located; or

(ii) at least 40% of the residential units in the property are rent-restricted, as defined in 26 U.S.C. 42, and rented to persons whose household incomes do not exceed 60% of the median income, adjusted for family size, for the county in which the property is located;

(c) a deed restriction or other legally binding instrument restricts the property's usage and provides that the units designated for use by lower-income households must be made available to or occupied by lower-income households for the period required to qualify for low-income housing tax credits at rents that do not exceed those prescribed by the terms of the deed restriction or other legally binding instruments;

(d) the property meets a public purpose in providing housing to an underserved population and provides a minimum of 50% of the units in the property to tenants at 50% of the median family income for the area, with rents restricted to a maximum of 30% of 50% of median family income, as calculated under 26 U.S.C. 42; and

(e) the owner's partnership or operating agreement or accompanying document provides that at the end of the compliance period, as that term is defined in 26 U.S.C. 42, the ownership of the property may be transferred to the nonprofit corporation or housing authority general partner as provided for in 26 U.S.C. 42(i)(7).

(2) Prior to the allocation of low-income housing tax credits to the owner, as provided in subsection (1)(b), the unit of local government where the proposed project is to be located shall give due notice, as defined in [76-15-103](#), and hold a public hearing to solicit comment on whether the proposed qualifying low-income rental housing property meets a community housing need. A record of the public hearing must be forwarded to the board of housing for consideration in granting the allocation of tax credits.

(3) For purposes of this section the following definitions apply:

(a) "Median family income" means the household income, adjusted for family size, determined annually by the United States department of housing and urban development, or its successor agency, to be the median family income for persons residing within each county of the state.

(b) A residential unit is "rent-restricted" if it satisfies the criteria of 26 U.S.C. 42(g)(2).

Pursuant to the public notice requirements in 76-15-103, MCA, public hearing notices have been published in the Great Falls Tribune Legal Section on April 22, 2012 and May 6, 2012.

City Commission set this public hearing at their meeting held on May 1, 2012.

Fiscal Impact: In 2011, the Rainbow House was levied a total of \$10,013.05 in property taxes. City taxes were \$2,363.20 with assessments for the library, soccer park, swimming pools and street maintenance totalling another \$783.23. Those taxes would be not be payable in the future should the Board of Housing determine the Rainbow House to be tax-exempt.

Alternatives: The City Commission is required to hold a public hearing pursuant to 15-6-221, MCA.

Attachments/Exhibits: Letter of request from Homeword, Inc.

cc: Heather McMilin, Homeword, Inc., 1535 Liberty Lane, Suite 116A, Missoula, MT 59808



Homeword

Sustainable Communities for All

MT PRESERVATION
SB RB, LLLLP



Mike Haynes, Director of Planning & Community Development
City of Great Falls
PO Box 5021
Great Falls, MT 59403

April 12, 2012

Dear Mr. Haynes:

We are writing regarding the proposed acquisition and rehabilitation of Rainbow House, a partnership between Homeword and GMD Development. The entities have formed a Limited Liability Partnership with Homeword and GMD as the General Partners of the partnership. This project will preserve this existing affordable housing and the Section 8 rental assistance for additional 46 or more years. The consistent low vacancy and waiting list for units at Rainbow House is evidence that this property is serving a significant and critical need in the community. It is our intent, as the future property owners, to apply for tax-exempt status under MCA 15-6-221 and we are writing to request a public hearing to solicit comment on whether Rainbow House meets a community housing need as required by the statute.

Homeword, Inc. is a non-profit organization based in Missoula, Montana committed to providing safe, healthy affordable housing using sustainable methods and promoting strong communities through housing counseling and education for those most in need. Rainbow House, located at 626 13th Ave, Great Falls, MT 59405, is Homeword's latest affordable housing development providing long term affordable rental housing to low and very low income households. Rainbow House serves senior and disabled residents that earn 60% or less of the Area Median Income. This project will be funded, in part, through the Low-Income Housing Tax Credit Program administered by the Montana Board of Housing (MBOH), and rents will remain affordable at levels below fair market rents in Great Falls.

A community meeting for residents and the community-at-large was held in the evening of December 14th, 2011 and was well attended. Most attendees expressed support for maintaining this vitally important community resource – affordable housing for seniors – in Great Falls.

The City's Planning and Community Development Department prepared the Great Falls 2010 – 2015 Consolidated Plan, approved by the Great Falls City Commission in May of 2010, which details the City's priorities, objectives and plans based upon housing and community development needs. Seven priorities and related objectives are identified in the Consolidated Plan to meet the diverse needs of low income households in Great Falls. One priority of the

City is to “Provide construction and rehabilitation assistance or very low to moderate income homeowners or property owners with very low to moderate income renters to upgrade the city housing stock to provide and sustain safe affordable housing.” The objective includes providing loans utilizing CDBG funds to assist owners and landlords in rehabilitating their properties. This priority and objective is evidence of the community’s support and need to preserve existing affordable housing.

A second priority was listed to “provide decent affordable housing opportunities for very low and low income renters, particularly the elderly and/or disabled.” The acquisition and rehabilitation of the Rainbow House apartments would directly meet these needs by providing housing for very low income, elderly and/or disabled residents.

In addition, support in the Consolidated Plan suggests that 6% of landlords have opted out of or expired from the Housing Choice voucher program over the last 3 years. It was stated that “it is difficult to project whether this trend will continue during the upcoming five years; however, it is anticipated it will. If this projection is accurate, approximately 165 units will be lost from the assisted housing inventory.” This equates to possibly losing over 10% of the existing subsidized housing stock in Great Falls.

There is very strong community support to rehabilitate existing affordable housing stock in Great Falls, especially housing for very low income seniors and/or disabled residence. In addition, there is a great support to rehabilitate and preserve subsidized housing as some landlords are electing to opt out of the program creating additional need. The acquisition and rehabilitation of the Rainbow House apartments directly addresses those needs.

We believe preservation of existing affordable housing is generally the most sustainable way to meet the community’s needs for safe We respectfully request inclusion of this topic for public hearing at the May 15th City Commission meeting.

Sincerely,



Heather McMilin
Homeward, Inc.

cc: Greg Dunfield, GMD Development