

SECTION III: NARRATIVE

BILL SUMMARY

House Bill 194 expands the state’s Metropolitan Redevelopment Code to include “housing shortage areas” as eligible targets for redevelopment actions, placing housing supply and affordability on equal level with slum and blight remediation. This enables local governments to use redevelopment tools—such as land acquisition, infrastructure investment, site preparation, and public-private partnerships—to directly support housing development where shortages exist.

House Bill 194 amends the metropolitan redevelopment code in the following ways:

- Add “housing shortage” to the declaration of areas that constitute a growing menace to the state and that “construction of affordable housing accommodations” are a matter of state policy. Further, the “housing shortage areas” may require land acquisition and clearance by local governments to develop affordable multifamily housing voluntarily and through a regulatory process, and in some cases by government assistance.
- Defines a “housing shortage area” as an area within the jurisdiction of a local government that is experiencing:
 - a shortage of housing that is affordable to households earning at or below the area median income;
 - rising housing costs that outpace wage growth;
 - low vacancy rates;
 - excessive housing costs;
 - an inadequate supply of multifamily or workforce housing;
 - or a combination of these factors
- Includes “qualifying multifamily properties and units” with in the definition of “metropolitan redevelopment projects.”
- Defines “qualifying multifamily property” as a residential multifamily development with five or more dwelling units available for lease for periods of one month or more; provided that a minimum of fifteen percent of all of the dwelling units within the development are qualifying multifamily units and the average area median income of residents occupying qualifying multifamily units is not more than eighty-five percent of the area median income;
- Defines "qualifying multifamily unit" means a residential dwelling unit that is available to lease or that is leased to a household whose income is between seventy percent and ninety-five percent of the applicable area median income and leased or available to lease to such a household at the rental amounts as shown on the current income and rent limits tables for the applicable area published by the United States department of housing and urban development; and
- Stipulated that in order for a local government to exercise the powers with the Redevelopment law, it much adopt a resolution that declares a particular area a housing shortage area.
- Exempts qualifying multifamily properties within a housing shortage area from property taxes for up to twenty years.

FISCAL IMPLICATIONS

House Bill 194 would negatively impact state and local tax revenue forgone from any exempt multifamily properties.

SIGNIFICANT ISSUES

Other related development incentives to help local governments develop affordable housing include:

The **Affordable Housing Act (AHA)** was signed into law in 2004. Like the Local Economic Development Act (LEDA), it is an exemption from the state's Anti-Donation clause. It permits the state and local governments to contribute public funds, land, buildings and other resources to create and preserve affordable housing. Since the Act was passed, Local Governments have donated more than \$117.8 million to affordable housing initiatives across the state.

Opportunity Zones are federally designated low-income census tracts that offer tax incentives to encourage private investment in economically distressed communities. Opportunity Zones are used to support affordable housing development by attracting private capital into low-income communities through federal tax incentives that reduce or defer capital gains taxes for investors. Developers often combine Opportunity Zone equity with public subsidies such as Low-Income Housing Tax Credits, housing trust funds, and local gap financing to improve project feasibility and lower overall financing costs. This blended financing approach can help fund new construction and rehabilitation of multifamily housing, particularly in disinvested areas where traditional financing is limited.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS