

TIF TALKS.4



Please note: The following are potential strategies that communities can consider to maximize the impact of their tax increment districts. These ideas are based on our extensive experiences as economic development professionals in creating and implementing dozens of TID's throughout Wisconsin and the Midwest. We are not offering legal advice or municipal financial advice as defined in securities and Exchange Rule 15Ba1-1. Prior to taking any specific action relative to any of these strategies, communities should consult with their legal counsel and/or financial advisor to ensure compliance with all applicable laws and regulations.



SESSION 4:

Using TIF to address the housing crunch and "work the TID"

Nearly every community is confronted with issues surrounding workforce housing. In order for a community to grow, local employers must thrive, and housing for their workers is an essential ingredient to their success. Unfortunately, housing that is financially attainable is often out of reach for even well-paid employees and essential workers like nurses, fire fighters, teachers, and skilled laborers. As a result, jobs often go unfilled in a community because of the lack of affordable housing. While the root causes are many and complex, TIF can be an important part of the solution particularly if it is used with other financing tools.

Although the Wisconsin Tax Increment Law was not set up to deal with housing specifically, and actually has limitations on the use of TIF for housing, below are six creative ways to consider using TIF to address some of your community's housing issues.

1) Mixed Use Districts

- Allows up to 35% of the area to be used for new housing.
- Best suited to undeveloped "greenfield" areas
- There are minimum density requirements to receive TIF assistance
- Including multifamily projects (both rental and for sale) in their mixed-use districts can help meet density requirements



TIF TALKS.4

2) Blighted Districts

- No limit on how much of the area can be residential
- No restrictions for providing TIF assistance to residential
- Primarily obsolete buildings needing rehab or replacement
- Often require demolition, remediation and/or property assembly
- While TIF can reduce costs for *developers*, little may be left to lower cost for *occupants*
- Central locations can offer good walking and transit access, to reduce cost of living

3) Affordable Housing TID Extension

- Best Practice is to use TIF increment for improvements, and use alternate funding to cover any financial gap
- A housing fund can be created by extending the life of an existing TID by one year:
 - All of the increment from the extension goes into the housing fund
 - 75% of the new funds must be used for affordable housing
 - 25% of the fund can be used for housing of any type
 - Funds can be used anywhere in the community

4) TIF and Housing Tax Credits

- Developers can apply for federal and/or state Low Income Housing Tax Credits (LITC) to help offset the cost of projects and create affordable rental units
- Tax credits are sold to corporations with significant income tax liabilities
- Proceeds are used as equity in the project
- Developer agrees to cap rents for 30 years
- Benefits include:
 - Can include market-rate units to increase the mix of incomes
 - Can be a catalyst for other development in a new TID
- Challenges include:
 - LITC projects assess significantly less than comparable market rate developments
 - Tax credits alone often aren't enough to close the project financial gaps
 - LITC projects that require TIF funds generate very little surplus increment that can be used for other purposes in the district

TIF TALKS.4

5) TIF in an Opportunity Zone

- The Opportunity Zone (OZ) program was created by the federal government to encourage investment in lower income and under-performing census tracts
- Reduces taxes on capital gains on funds invested in a zone
- Zones designated in 2018 are fixed
- Tax benefits from the OZ can be a powerful financial incentive to fund community housing projects

6) Layering Benefits

- Make housing projects affordable
- Take pressure off a TIF
- Use the increment for other improvements
- Other incentive programs to layer:
 - State and federal Historic Preservation Tax Credits
 - New Markets Tax Credits
 - Federal Home Loan Bank Affordable Housing Program
 - Community Development Financial Institution (CDFI) funds
 - State and federal brownfield assessment and clean-up grants

Have other questions about how to work your TID? Talks to us!

Contact **Scott Harrington** at Vandewalle & Associates to discuss TIF implementation or other TIF services at sharrington@vandewalle.com.

Vandewalle & Associates
Shaping Places Shaping Change
www.vandewalle.com

© 2020 Copyright Vandewalle & Associates
All rights reserved.