

Using TIF to Benefit Affordable Housing

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Most municipal officials are familiar with using tax incremental financing (TIF) to help fund infrastructure and create incentives to promote economic development and job creation within a community. Less are aware that after a TIF district has paid all of its infrastructure and development costs, but before it is formally terminated, it can be repurposed for one additional year to benefit affordable housing and improve housing stock anywhere within the community.

The “Affordable Housing Extension” (AHE) was added to TIF law in 2009, but relatively few of the 600 cities and villages in the state have taken advantage of the option. Under Wis. Stat. sec. 66.1105(6)(g), a city or village with a TIF district that has retired its debt and paid for all of its project costs can extend the life of the district for one year if the city or village does the following: (a) adopts a resolution extending the life of the TIF district for a specified number of months (up to one year) and specifies how the city or village intends to improve its housing stock; and (b) forwards a copy of the resolution to the department of revenue (DOR), notifying the department that it must continue to authorize the allocation of tax increments to the district.

Upon receiving such notice, DOR must authorize the allocation of tax increments to the district during the TIF district’s extended life, without regard to any other statutory requirements that would otherwise require termination of the allocation of such increments. A city or village must use at least 75% of those tax increments to “benefit affordable housing” anywhere within the city or village in which the district exists. Affordable housing is defined as housing costing no more than 30% of the household’s gross monthly income. A household consists of an individual and his or her spouse and all minor dependents. Any remaining portion of the increments must be used by the municipality to improve its housing stock.

Examples of Municipalities Using the Affordable Housing Extension Option

Several communities around the state have taken advantage of the affordable housing extension in the TIF law:

Milwaukee. Since 2015, the City of Milwaukee has extended seven TIDs for an additional year to benefit affordable housing and improve housing stock in the city. In total, over \$2 million of increment has been realized to date for this purpose.

The money has been used to fund many of the programs within the city’s Strong Neighborhoods Plan. An overview of the Strong Neighborhoods Plan is available on the city’s website <http://bit.ly/MilwStrongNeighborhoods>

Madison. Madison has used the provision five times to help fund the city’s Affordable Housing Initiative Fund, which is used to incentivize developers to pursue Section 42 federal tax credits for affordable housing developments. Under the program, the city invites proposals from developers to build affordable units in amenity-rich areas with easy access to public transportation. Affordable units set rents at 30, 50, and 60 percent of area median income.

The Affordable Housing Initiative Fund has led to the funding of 486 affordable housing units over the last three years, representing \$100 million of development between eight developers, supported by \$7.58 million from the city’s fund.

The city budgets about \$4.5 million annually for the Affordable Housing Initiative Fund. Most of that comes from general obligation bonding. However, when a closing TID is capable of being extended one year for affordable housing purposes, the increment from the TID in its last year is added to the fund.

Fitchburg. Fitchburg recently kept one of its TIF districts open an extra year to begin to pay into a fund for affordable housing. The one-year extension generated \$127,000. The City is using approximately \$40,000 of those funds to begin Fitchburg Housing Goals, Strategies, Toolkit, and Implementation Plan with a focus on affordability. The city has hired MSA & Urban Assets as their consultants on implementing their plan.

Monona. Monona used the affordable housing extension to keep its TID #3 open an additional year to help fund a new program called “Renew Monona.” Renew Monona is a housing stock renewal loan program created by the CDA and

administered by the City of Monona. The program offers 0% interest loans to those purchasing or residing in a home in the city to be used for making substantial improvements to the home to enhance its energy efficiencies and bring it up to modern standards.¹

La Crosse. La Crosse used a combination of CDBG grants and TIF dollars from the affordable housing extension to fund the construction of five energy efficient houses in a struggling neighborhood to be sold to low-moderate income households at an average sale price of \$154,000.

Appleton. Appleton extended its TID #2 for one year under the affordable housing extension provision and used the tax increment to help pay for street repairs in a low-moderate income neighborhood.

Conclusion

Before your next successful TIF district comes to a close, consider taking advantage of the option provided in TIF law to extend the district for one more year and use the tax increments to “benefit affordable housing” within your community.

About the author:

Curt manages the League’s lobbying program, representing the League before the Legislature, the Governor’s office, and state agencies. He writes the *Legislative Bulletin* and *Capitol Buzz* newsletters, organizes legislative material and the Budgeting Toolkit for the League’s web page, and answers questions from the media and members about legislation that the League is following. Additionally, he helps plan League conferences and meetings. Contact Curt at witynski@lwm-info.org

1. The Monona, La Crosse, and Appleton examples are taken from a paper prepared by Abigail Jackson in 2015 as she was pursuing her master’s degree at UW-Madison. Her *Analysis of Wisconsin’s Act 28, the Affordable Housing Extension* is posted online: https://jacksonabby.files.wordpress.com/2016/04/jackson_final-paper-844-1.pdf

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