

## **A TEXT DESCRIPTION OF A TIF AFFORDABLE HOUSING PROCESS**

### **Introduction:**

The Common Council adopted a revised Tax Incremental Financing policy in Spring, 2001 that required a set-aside for the development of affordable housing of 10% of the estimated District-wide increment in TIF districts with residential areas. Any TIF funds used for 'affordable housing' would need to meet the Wisconsin statutory requirements.

In addition to the adopted TIF policy, this document suggests a method whereby the City would establish a distinctive and specialized process to determine its investments of the TIF set-aside funds into affordable housing which balances the general parameters of the City's affordable housing goals and the specific needs of each tax incremental district.

The Department of Planning and Development through the CDBG Office, with advice from CED staff, would recommend for Board of Estimates and Common Council approval the general parameters and primary choices for affordable housing investments from the TIF set-aside, terms and protocols to be used by each district-specific ad hoc group in establishing the affordable housing preferences for the TIF-aside funds for that particular district. Because the development of affordable housing is a challenging one, the design of the protocol needs to facilitate such development, and pose as few obstacles as possible, while still meeting the Mayoral and Common Council goal of neighborhood involvement.

This document anticipates that the initial districts to be included in this process are tax incremental districts 28 and 29, the Bassett and Allied TIF districts.

### **STEP 1: Establish public goals for the Tax Increment District (TID)**

The TIF Team, with advice from the CDBG Office, proposes the goals and boundaries of each new TID, paying particular attention to the potential for affordable housing projects within the new TID where feasible. During this step, the TIF team would identify generators and potential generators of increment within the district. The TIF Coordinator and the Comptroller would provide an estimate of the 10% of the increment potentially available for affordable housing within the district. The TIF Coordinator and the Comptroller would develop a calendar of the estimated availability of increment and other funds for use for the 10% set-aside affordable housing projects.

### **STEP 2: Establish specific housing goals for the TID**

Within 45 calendar days of the establishment of a Tax Incremental District, or the adoption of this policy, whichever is later, the Mayor shall appoint, subject to confirmation by the Common Council, a five-member ad hoc group to establish specific priorities for the affordable housing set-aside. The ad hoc group shall consist of the alder in whose district the TIF is located, an alder who is a member of the Plan Commission, CDA, CDBG Commission or Housing Committee, and three residents and/or stakeholders in the TID and its immediately surrounding areas.

The ad hoc group shall meet to review data and gather input, and in a timely manner, shall recommend specific priorities and goals for affordable housing initiatives using the TIF-generated set-aside, specifying targeted income levels and an appropriate distribution between

ownership and rental options. The CDBG staff shall incorporate these priorities into a Request for Proposals for review and approval by the Board of Estimates and the Common Council.

### **STEP 3: Approve and Invest the 10% Set-aside**

The CDBG Office would then solicit proposals for the set-aside. The special Ad Hoc group would review, select and rank order the affordable housing proposals. After review by the TIF Coordinator for eligibility including the ‘but for’ criteria, the CDBG Office would negotiate a tentative developer’s agreement with the recommended group(s), based upon the general parameters previously approved by the Council. The Board of Estimates and the Common Council would give final approval. Increment, borrowing or other funding for the specific affordable housing project would be built into the capital budget through the regular review process or an amendment.

The City would reserve the right to accept or reject all or a portion of a proposal, or may negotiate for different elements within a proposal in order to accomplish City goals or obtain better terms than offered in the submitted proposals. It is acceptable that a recommended proposal will seek public funding sources beyond the 10% set-aside.

### **STEP 4: Implement approved projects**

Once approved by the Council, the Mayor and the City Clerk on behalf of the City would enter into a development agreement with the developer/owner, and the CDBG Office would proceed to administer the agreement and monitor the project as it developed, with appropriate assistance from the Comptroller and other City of Madison staff.

### **STEP 5: Assess impact and build into next District design**

The Department of Planning and Development (the TIF team and the CDBG Office) would review the implementation of the 10% set-aside projects relative to the TID plan and public goals, and build those experiences into future planning for the next TID plans. The Department shall report in a timely manner to the Common Council on activities undertaken pursuant to this process.