

## **City of Waukesha**

### **TIF Affordable Housing Extension Policy**

State of Wisconsin Statutes 66.1105(6)(g) allows municipalities to leave open Tax Incremental Finance districts for up to an additional year to benefit affordable housing. The Common Council must adopt a resolution extending the life of the district, which also must be forwarded to the Department of Revenue. That resolution must specify the length of time the district will remain open (to a maximum of 1 year) and how the city intends to improve its housing stock. The Department of Revenue has defined affordable housing as “housing that costs a household no more than 30 percent of the household's gross monthly income.”

The proposed program will take a two-pronged approach to increasing and improving affordable housing in the City:

- Affordable Housing Rehabilitation Program
- Affordable Housing Development Fund

These two programs will be used to improve existing affordable owner-occupied housing stock in the City and to assist in smaller-scale redevelopment opportunities and other affordable housing activities to increase and improve the supply of affordable owner-occupied units.

This policy does not extend the life of any Tax Incremental Finance District in the City, it only sets forth the program in which funds can be used if the Council decides to pass a resolution to extend the life of a district to benefit affordable housing.

#### **Affordable Housing Rehabilitation Program**

Waukesha has a diverse mix of housing stock with a significant percentage being over 50 years old. The central city neighborhoods surrounding downtown have many homes over 100 years old. These older neighborhoods are attractive to first-time home buyers, and those seeking affordable housing options, however many properties in these areas are in need of some form of repairs, updating and rehabilitation. Use of the Affordable Housing Extension funds will help improve the quality of the City's affordable housing stock, allow for cost savings via energy efficient upgrades, and incentivize reinvestment in our central city neighborhoods.

This element of the program will be used to improve affordable, owner-occupied housing throughout the City through a revolving loan program that can be used to improve houses and make them more energy efficient. The program has both property and applicant eligibility requirements to ensure the funds are being used on affordable housing. It is intended this program could be used for a variety of improvement activities to improve the condition and overall appearance of the City's older housing stock. At least 25% of any TIF Affordable Housing Extension funds must be used to improve housing stock.

#### **Program Specifics**

- 1) Loan amounts

- a) Up to \$25,000 per unit can be processed and approved by Department of Community Development (DCD) staff.
- b) Loan requests in excess of \$25,000 will be sent to RDA for approval.
- c) Loan will be a 0% interest loan. Payback requirements will be dependent on household income of applicant:
  - i) Between 81%-100% of the Waukesha County Median Income Level: Loans will be amortized over 10 years at 0% interest.
  - ii) At 80% or below of the Waukesha County Median Income Level: Applicants will have the option of either a 10-year repayment or a deferred payment where the loan comes due at the time of property sale, transfer, or refinance.

2) Property Eligibility

- a) The building must be at least 50 years old at the time of application.
- b) House must have an assessed value at or below the City’s median single family home value for that year. In 2020 the median assessment for a single-family home was \$215,000
- c) Building and/or units must be owner occupied.
- d) DCD Staff will do a site visit to all properties to determine if any visible code violations exist. If violations exist, loan funds must first be used to remedy those violations before it can be used on other improvements.

3) Applicant Eligibility

- a) Applicant must demonstrate they are spending more than 30% of their monthly household income on housing costs (mortgage, property taxes, utilities, and insurance). Verification methods include but are not limited to personal tax returns or recent paycheck stubs, mortgage statements, letter from lender, recent property tax bill, utility bills and insurance statements.
- b) Applicant’s household income must be at or below the County Median Income Level for the year they are applying. In 2020, the Waukesha County Median Household Income level is \$83,800. Applicants between 81-100 percent of the County Median Income Level will have the loan amortized over 10 years at 0% interest.
- c) If an applicant is at or below 80% of the County Median Income Level as determined annually by the Department of Housing and Urban Development (HUD), they are eligible for the deferred payment option. The 2020 80% Income Limits are shown in the table below:

**Waukesha County 2020 Income Limits Summary – 80% of County Median Income**

Household Size							
1	2	3	4	5	6	7	8
\$46,950	\$53,560	\$60,350	\$67,050	\$72,450	\$77,800	\$83,150	\$88,550

4) Loan Fund Use Guidelines

- a) **Exterior repairs.** Funds may be used for the repair or replacement of roofing, siding, windows, soffits, fascia, porches, decks, and balconies, new garages, gutters, and other repairs or replacement of exterior materials.

- b) **Home System Upgrades.** Funds may be used for heating and air conditioning replacement as well as upgrades to plumbing and electrical systems to bring them up to current code requirements or modernize them to today's efficiency standards and expectations.
- c) **Energy efficiency.** Funds may be used to improve energy efficiency of the home. This includes window replacement, insulation improvements and other measures to increase overall energy efficiency.
- d) **Interior remodeling/additions.** Funds may be used to remodel interior spaces to bring them to modern expectations, including bathrooms and kitchens.
- e) **Code Compliance.** Funds may be used to remedy any outstanding code violations.
- f) **Grading, waterproofing, and drainage improvements.** Funds may be used to remedy any issues related to stormwater runoff or basement waterproofing.
- g) **Prohibited uses:** Funds may not be used for home furnishings, electronics, or appliances. Funds may be used for new garages or for repairing existing garages but cannot be used for improving the interior of the garage such as adding heating, drywall, etc. Funds may be used for restoration of lawns damaged during construction and raingardens to address stormwater runoff issues but may not be used for other landscaping activities.

#### 5) Approval Process

- a) Applicants must complete a loan application and submit required verification materials and estimated costs for work to be completed.
- b) The City of Waukesha will review all uses of loan funds and may exclude funding for items that do not meet program goals. Staff reserves the right to forward any loan request to the RDA if a clear determination cannot be made.
- c) Once all the loan documents and verifications have been reviewed for completeness the applicant will sign a junior mortgage on their home, which will be recorded at the Register of Deeds, and a promissory note.
- d) Design, materials, and labor costs are eligible.
  - i) For work proposed to be completed by the homeowner, only materials are eligible for loan proceeds. For example, loan funds could be used for exterior paint, however the homeowner cannot request to be reimbursed for their own work on the painting project. For do-it-yourself projects, homeowners will need to purchase materials themselves and then submit receipts to the city for reimbursement.
- e) Contractors will be paid directly by the City
  - i) Each contractor will need to submit a W-9 to the DCD to be enrolled as a vendor.
  - ii) Applicants or contractors will submit invoices to the DCD
    - (1) Staff will verify completion of projects being invoiced for
    - (2) Payment to contractor will be processed through the Finance Department.
    - (3) DCD will track payments and loan balance availability.
    - (4) Lien waivers will be required from all contractors.

#### 6) Loan Monitoring

- a) Loan repayments will be processed by DCD and Finance Department
- b) Staff will issue monthly report on loan activity to the Redevelopment Authority each month as a matter of report.

- c) Loan program records will be maintained by Finance and DCD.
- d) All loan repayment funds will be returned to the program.

## **Affordable Housing Development Fund**

In order to increase affordable housing and eliminate blight, TIF Affordable Housing Extension funds will also be allowed to provide financial assistance for smaller scale residential redevelopment activities that increasing affordable owner-occupied housing stock or eliminate blight and create new affordable housing units. Funds could be used for property assemblage, razing buildings, utility upgrades, and other site preparation activities.

Proposals to use affordable housing funds in this manner would require Redevelopment Authority approval. Eligible uses of funds include:

### **Land Acquisition Activities**

- 1) Purchase of vacant, tax foreclosure property, or blighted properties/buildings that could be marketed and sold to developers pursuing affordable housing developments.
- 2) Purchase or assistance to developers to purchase redevelopment priority sites that have been identified in the Central City Master Plan, Comprehensive Plan, Redevelopment Plans, by the Redevelopment Authority or are blighted as defined by state statute.

### **Site Preparation Activities**

- 1) Extending public or private utilities to the property or to buildings on the property
- 2) Razing buildings, removing basements/foundations, grading work.
- 3) Phase 1 and 2 Environmental Site Assessments
- 4) Infrastructure installation required for the project such as sidewalk or turn lanes on existing roadways.

### **Grants/loans to developers.**

- 1) As an alternative to tax incremental financing or tax credit funding, the City could make smaller grants or low interest loans available to developers to assist with smaller financing gaps.
- 2) Grants or loans could also be made to owners, developers, or contractors to either convert non-residential buildings into residential units or rehab and sell or rent existing units. These funds could also be used for upper floor rehab in mixed use buildings in the central city.
- 3) Grants or loans could be made to homebuilders or non-profits to assist in construing new affordable owner-occupied single family and duplex homes.

### **Neighborhood improvement projects in HUD designated Low-to-Moderate Income Neighborhoods and Neighborhood Revitalization Strategy Areas**

- 1) Adding streetscape and other placemaking amenities
- 2) Minor street and sidewalk repairs or adding pedestrian amenities and connections.
- 3) Blight removal and large-scale neighborhood cleanup efforts.

### **Housing Planning Activities.**

- 1) Housing planning activities, including site and engineering plans for affordable housing developments, certified survey maps, and plats.
- 2) Updates to the City's Housing Study and Needs Assessment or any other long-range planning efforts that aim to address increasing and improving the City's affordable housing supply.

### **Rapid Rehousing Activities**

Rapid rehousing is a great tool in the fight against homelessness. It places a priority on moving a family or individual into permanent housing as quickly as possible after becoming homeless.

- 1) Incentives (grants or loans) to developers to set aside units for rapid rehousing in new developments.
- 2) Incentives (grants or loans) for building owners/landlords to rehab and/or set aside existing units for rapid rehousing.

### **Requirements for the use of these funds**

- 1) Applications for these funds will be reviewed by staff and approved by the Redevelopment Authority.
- 2) Funding priority
  - a) Providing assistance with owner-occupied developments or projects that will be developed or renovated and resold as owner occupied housing are the priority for these funds, however rental occupied housing where the income levels are above the 80% County Median Income Level required for the Redevelopment Authority's Housing Development Action Grant (HODAG), but below the County Median Income level are also eligible for funding if the project eliminates blight.
  - b) Developments or projects that involve creating or renovating rental units targeted to households at or below 80% of the County Median Income Level will be directed to the Redevelopment Authority's HODAG program.
- 3) Third party proforma review, like what is used for TIF requests, may be required for certain requests, depending on loan/grant amount, project scope, or other factors. This analysis would be paid for by the developer.
- 4) Affordability will need to be guaranteed through development agreement, deed restriction and/or junior mortgage.
- 5) Funds must be combined with CDBG funds, tax credits or other affordable housing programs whenever possible.