



City of Racine, Wisconsin
AGENDA BRIEFING MEMORADUM

AGENDA DATE:	June 12, 2017
SUBJECT:	Item # 562-17 Extending Tax Increment District 8 for One Year for Affordable Housing Programs
PREPARED BY:	Amy Connolly, Director of City Development & Laura Detert, Manager of the Division of Housing and Community Development
EXECUTIVE SUMMARY:	<p>Department of City Development - Division of Housing and Community Development requests that Common Council approve a resolution extending Tax Incremental District 8 (TID 8) for one year (12 months) to allow approximately \$625,000 in projected tax increment to be used for affordable housing programs within the City.</p>
BACKGROUND & ANALYSIS:	<p>Tax Incremental District 8 was created in 1990 to revitalize the State Street Corridor. The District is 88 acres in size and contain 190 structures. The monies from this TID were primarily used to State Street corridor improvements, such as the streetscape and utility improvements implemented in 1991-1992. Over its life, TID 8 provided over \$12 Million in assistance to the State Street Corridor during the 27 year life of the TID. There are no outstanding projects or encumbrances within the TID and the TID is scheduled expire July 17, 2017.</p> <p>Wisconsin Statutes (66.1105) contains a provision that allow a municipality the option of extending a Tax Increment District (TID) for <u>one year</u> for improving affordable housing stock within the City. The increment created from this additional year of TID can be used anywhere in the City and is not limited to the defined TID area. (See Attachment A for full text of the Wisconsin statute provision) In order to take advantage of this statutory provision, the City must adopt a resolution extending TID 8 prior to July 17, 2017. The TID extension proposed would be between July 17, 2017 and July 17, 2018.</p> <p>The Department of City Development proposes that the tax increment created through the one-year extension of the TID be spent in the following areas:</p> <ol style="list-style-type: none">1. Homeowner Housing Development within the newly established Uptown Neighborhood Revitalization Strategy Area (NRSA) using the U.S. HUD Neighborhood Stabilization Program (NSP) Regulations (See Attachment B for NRSA map and Attachment C for full program guidelines).2. Homeowner Code Compliance Grants – small, forgivable low-interest loans to assist low-income homeowners in complying with building and property maintenance codes (See Attachment D for full program guidelines). <p>The Department recommends that 75% (approximately \$468,750) of the estimated increment be dedicated to Homeowner Housing Development and 25% (approximately \$181,250) of the estimated increment be dedicated to Homeowner Code Compliance Grants.</p>

BUDGETARY IMPACT:

TID 8 would provide approximately \$625,000 of increment, from all taxing bodies between July 2017 and July 2018, if it were extended. If the tax incremental district is not extended, then the City's general fund would receive only the City's share of the tax increment and would forgo the TID contributions from other taxing entities.

The City has operated an NSP housing program and has provided homeowner loans and grants as part of its Loan Board. The Department of City Development would not require additional staff to implement these programs.

RECOMMENDED ACTION:

Staff recommends that Common Council approve a resolution extending Tax Incremental District 8 (TID 8) for one year (12 months) to allow approximately \$625,000 in projected tax increment to be used for affordable housing development programs within the City.

Attachment A

66.1105 Tax increment law.

66.1105(6)(g)1.1. After the date on which a tax incremental district created by a city pays off the aggregate of all of its project costs, and notwithstanding the time at which such a district would otherwise be required to terminate under sub. (7), a city may extend the life of the district for one year if the city does all of the following:

66.1105(6)(g)1.a. **a.** The city adopts a resolution extending the life of the district for a specified number of months. The resolution shall specify how the city intends to improve its housing stock, as required in subd. 3.

66.1105(6)(g)1.b. **b.** The city forwards a copy of the resolution to the department of revenue, notifying the department that it must continue to authorize the allocation of tax increments to the district under par. (a).

66.1105(6)(g)2. **2.** If the department of revenue receives a notice described under subd. 1. b., it shall continue authorizing the allocation of tax increments to the district under par. (a) during the district's life, as extended by the city, as if the district's costs had not been paid off and without regard to whether any of the time periods specified in par. (a) 2. to 8. would otherwise require terminating the allocation of such increments.

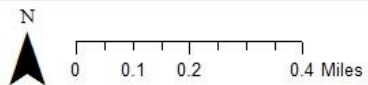
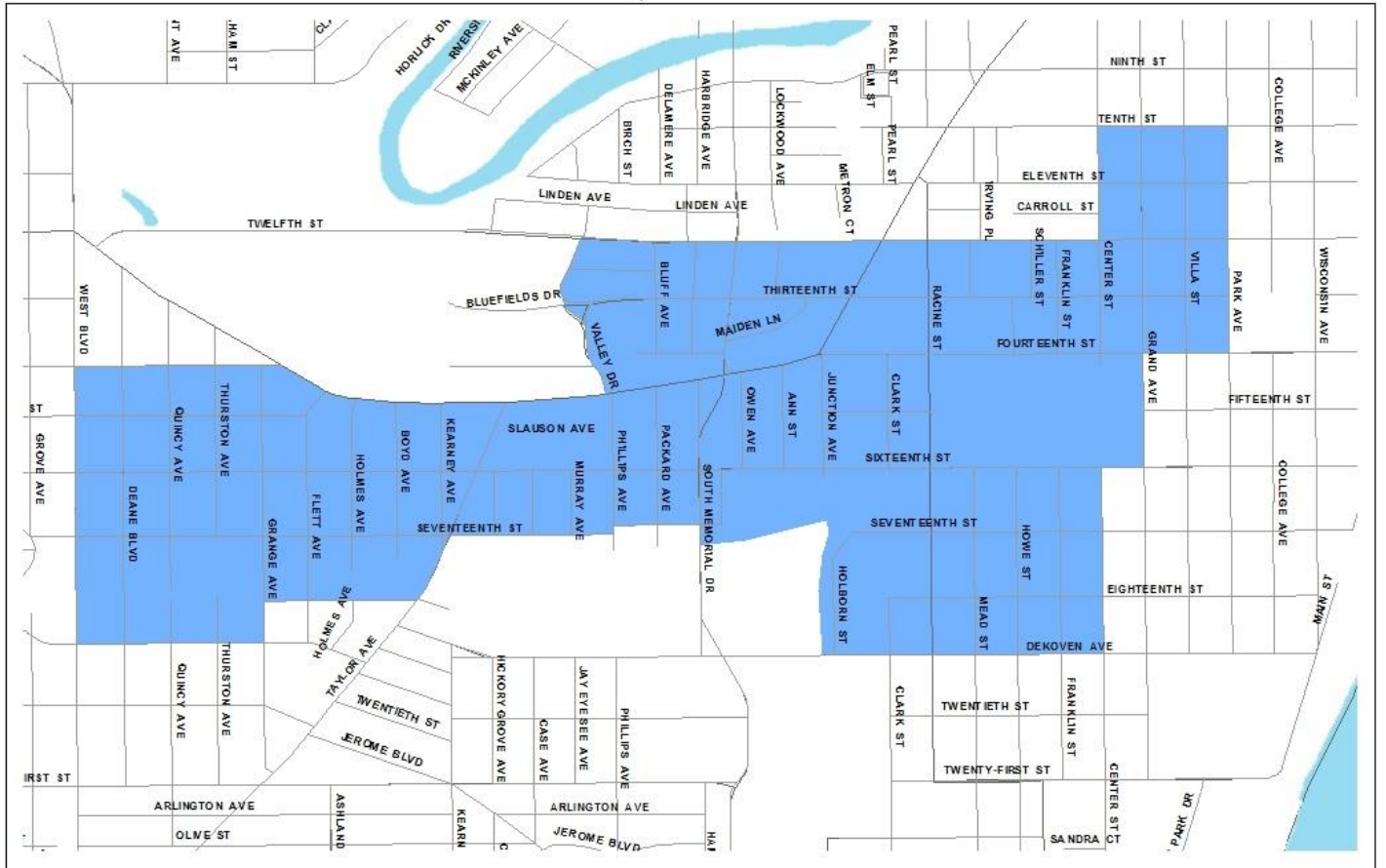
66.1105(6)(g)3. **3.** If a city receives tax increments as described in subd. 2., the city shall use at least 75 percent of the increments received to benefit affordable housing in the city. The remaining portion of the increments shall be used by the city to improve the city's housing stock.

For purpose of this section, "affordable housing" is defined as:

(ab) "Affordable housing" means housing that costs a household no more than 30 percent of the household's gross monthly income.

Attachment B

Neighborhood Revitalization Strategy Area (NRSA) Racine, Wisconsin



Attachment C

Homeowner Housing Development

Funding

Funds for Homeowner Housing Development as part of the TID 8 extension plan for housing development will constitute 75% of the extended TID 8 increment.

Scope of Work

- Funds to be used for the construction of new homes or rehabilitation of existing homes; and
 - Projects will be developed under existing U.S. Housing and Urban Development Neighborhood Stabilization Program (NSP) regulations.
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Eligible Buyers

- Owner-occupant; and
 - Income-eligible buyers. Household incomes of buyers shall not exceed 120 percent of County Median Income (CMI), adjusted for family size; and
 - Housing cost burden not to exceed 30% of gross household income; and
 - Income-eligible buyers under 80% CMI will be offered Closing Cost Assistance directly from the City of Racine.
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Administration

- Funds shall be managed by the Department of City Development; and
 - No more than 8% of funds shall be used for project administration; and
 - Projects may be managed within the Department of City Development or funded via a Request for Proposals; and
 - Program income generated by sale of houses will be reserved within the program and used for additional single-family housing construction or rehabilitation; and
 - Approval of projects will be made by the Loan Board of Review.
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Service Area

Projects shall be located within the approved boundaries of the Greater Uptown Neighborhood Revitalization Strategy Area as approved by *City of Racine Res.0072-17*. (Attachment B)

Attachment D

Homeowner Code Compliance Grants

Funding

Funds for Homeowner Code Compliance Grants as part of the TID 8 extension plan for housing development will constitute 25% of the extended TID 8 increment.

Loan Information

Maximum Loan Amount: \$4,999.00

Minimum Loan Amount: \$500.00

- Loan type: Forgivable Loan
- Interest rate: Zero percent (0%)
- Payment: Loan is forgiven after 3 years of property ownership from date of closing.

Loan is payable if a sale or transfer of property ownership before three years of property ownership.

Loan is forgiven on a pro-rata basis annually.

- One third (33.33%) of the loan is forgiven after one year of ownership after loan closing,
 - Two thirds (66.66%) of the loan is forgiven after two years of ownership after loan closing, and
 - The full amount of the loan (100%) is forgiven after three years after loan closing.
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Owner Contribution

- Loan Fee: \$75.00 Administrative fee to cover credit reports, income verification, and recording charges. Fee may be waived for households under 80% CMI.
 - Match: Property owner(s) at 80-120% CMI will be responsible for providing 10% matching funds to complete the project.
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Eligibility Requirements

- Owner occupant of a single family or duplex property.
- There exists current outstanding building code orders issued against the property by the City of Racine.
- Total Household Income must be no greater than 120% County Median Income (CMI) based on current Federal Housing and Urban Development (HUD) thresholds.
- Property taxes on all property owned by the applicant must be paid in full or on an approved payment plan.
- The total cost of repairs to correct all of the outstanding code violations listed on the order cannot exceed the loan maximum and is greater than the loan minimum. Scope of repairs is limited to work necessary to correct the violations listed on the repair order.
- Owner cannot be in bankruptcy. An application may be considered if the owner is on a current Chapter 13 payment plan and the trustee provides written approval.
- Property cannot be in foreclosure

- Outstanding mortgage(s) payments must be current.
 - Utility payments must be current (WE Energies, water bill, etc.)
 - Applicants must sign an application form authorizing City of Racine Department of City Development staff to access their credit history and agree to provide all required documentation necessary to determine program eligibility.
 - Program funding is limited, not all eligible applicants will be served.
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Application Review

- City Development staff will review completed applications once all necessary documentation has been submitted by the applicant.
 - Loans will be approved by the Loan Board of Review
 - Funding for the Code Compliance Forgivable Loan program will be limited; some applicants may not be served after funding has been exhausted.
 - The selection process may consider:
 - An applicant's ability to correct the violations
 - Options to resolve the code violations through other methods or programs
 - Applicant's current and potential income (as determined by HUD income calculations)
 - Loan to value ratio
 - Ability or plans to continue residing in the property
 - Previous code enforcement history, and other relevant factors
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Security

- Property owner(s) will be required to sign a mortgage securing the loan.
 - The applicant must agree to sign mortgage documents securing a lien against their property in the amount equal to the cost of repairs. The mortgage documents will be recorded with the County Register of Deeds.
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Scope of Work

- Scopes of work will be created by the City of Racine Building or Health Department.
- Limited to the work necessary to correct current outstanding building code violations listed on the repair order(s).
- All work will be performed by licensed contractors. Contractors will be required to warrant their work for one year.
- Permits, where necessary, will be obtained prior to starting work.
- City inspectors will inspect and approve all work.
- The completion of the scope of work will result in the correction of the code violations and the outstanding order will be abated.