Tax Increment Financing Case Studies:
How Cities and States Use Tax Increment Financing to Develop & Preserve Affordable Housing in their Communities

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How Cities and States Use Tax Increment Financing to Develop and/or Preserve Affordable Housing in their Communities

1. Chicago, Illinois
2. Atlanta, Georgia
3. Portland, Oregon
4. Maine
5. Albuquerque, New Mexico
6. California
7. Kansas City, Missouri
8. Austin, Texas
9. Minnesota
10. Missoula, Montana
11. Washington
12. Massachusetts
13. San Antonio, Texas
14. Florida
1. Chicago, Illinois | Tax Increment Financing

**Summary:** The state of Illinois allows for TIF revenue to be used for “land acquisition, environmental cleanup, surrounding infrastructure improvements, building demolition, financing and interest payments, or job training programs.”\(^1\) TIF funds can cover up to half of construction costs of an affordable housing development. In addition, “developers may also use TIF money to write-off up to 75 percent of the interest costs associated with the project.”\(^2\) Property assembly can include “acquisition of land and other property, real or personal, or rights or interest therein, demolition of buildings, clearing and grading of land, and other site preparation costs.”\(^3\)

According to the Neighborhood Capital Budget Group’s TIF Almanac, which was published in 2003, “about half of the housing units built with TIF dollars are considered affordable by the City” and prior to the creation of a TIF district, a housing impact study must be conducted if the proposed district will impact a significant number of existing residents.\(^4\) The Almanac goes on to state that the “City of Chicago has long used TIF revenue to pay for housing development – both affordable and market-rate. There is no written policy at the state level that requires a set-aside for affordable housing, though the City has said in the past that it wants developers to reserve 20 percent of the units in each TIF-subsidized residential project to be affordable.”\(^5\)

**Requirements:** The Department of Planning and Development has established that affordable rental housing should be targeted for households making 80% or less of the median family income (MFI) and owner-occupied units should be targeted for those households making 120% or less of the MFI.\(^6\)

**Home Repair Program:** In addition to using TIF revenue to create new affordable units, the City has created a Neighborhood Investment Program (TIF NIP). This program works to make TIF revenue more accessible to existing homeowners in the TIF districts so as to enable the preservation of affordable housing within the district. It funds primarily housing rehabilitation.\(^7\) Grants of up to $12,500 are administered to homeowners for exterior home repairs and safety upgrades.\(^8\) Grants are provided to homeowners at or below 100% AMI. There is a dollar for dollar match requirements for households with incomes between 100% and 140%.

The program is also open to owners of multifamily complexes. Grants of up to $100,000 are


\(^2\) Ibid.


\(^5\) Ibid.


available to them for exterior and safety improvements. Residents must be low to moderate income (at or below 80% AMI) in order to receive grant funding. While TIF-NIP has demonstrated some “promise for broadening the range of people who benefit from TIF,” it is still limited by the scale and scope of the work that can be done with this funding.9

**Types of Housing:** In Chicago, developers combine TIF revenue along with other housing funding to create diverse housing options and to create workforce housing in the TIF districts.10 TIF revenue can be used to develop new rental housing, condominiums, and single-family housing. Also, TIF revenue can be used to support infill development and rehabilitate existing buildings in the district.

Given that the income limits included in the TIF law do not apply to land acquisition, the housing can serve households at any income level. Each district can create additional standards that set income standards. Usually, funds for acquisition are provided once the project is completed or once other stated outcomes are met.11 Prior to project completion, developers have other sources of funding, such as construction loans, which fund the acquisition before the TIF revenue covers the acquisition costs.

**Housing for Low Income Households:** TIF can be used for up to 50% of the cost of new low and very low-income housing construction. There are no limits on how much TIF revenue can be used for building rehabilitation and site assembly costs for low and very low-income housing. Also, there is up to 75% of redeveloper’s interest for low and very low-income housing.

All units must remain affordable for a minimum of thirty years. Owners of rental units enter into a regulatory agreement with the City to ensure that the units are affordable for thirty years. For home ownership units, there is a lien that is placed on the home, which is the difference between the market rate value of the home and the affordable price. If the owner chooses to sell the home at an affordable price to an income qualified owner before the thirty years are up, then the lien stays with the home for the remainder of the thirty year lien. The lien is forgiven after thirty years. If the owners sell to a non-income qualified owner or sells it for a price that isn’t affordable, then the seller is required to pay the lien. If the developer sells the affordable units at a price that isn’t affordable or if the developer sells the affordable units to buyers that are not income qualified, then the developer is required to pay a $100,000 in-lieu-of fee.12

**Housing for Moderate Income Households:** TIF revenue can be used for “land write down costs, site preparation, environmental remediation, supportive infrastructure to site, rehabilitation, and 30% of developer’s interest for ‘moderate income housing.’”13

**Mixed Income Housing:** For mixed income developments where there is a combination of

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market rate and affordable units, there can be cross subsidies. For example, a district may create a policy that requires a certain percentage of affordable housing in the development in order to access TIF funding. The affordability level can also be set by the locality.\textsuperscript{14}

**Outcomes:** Below are two tables, which include the amount of TIF revenue spent on affordable housing in Chicago.

**City of Chicago’s Use of TIF Funds for Affordable Housing: 2003 - 2007**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total TIF revenue for affordable housing development</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$12.2 million</td>
</tr>
<tr>
<td>2004</td>
<td>$3.1 million</td>
</tr>
<tr>
<td>2005</td>
<td>$41.3 million</td>
</tr>
<tr>
<td>2006</td>
<td>$29 million</td>
</tr>
<tr>
<td>2007</td>
<td>$12.3 million</td>
</tr>
</tbody>
</table>

*Note:* 54% of the TIF housing funding between 1995 and 2007 was dedicated for the replacement units that were part of the Chicago Housing Authority’s Plan for Transformation.\textsuperscript{15}

**City of Chicago TIF Investment by Development Type (1995 – 2008)\textsuperscript{16}**

<table>
<thead>
<tr>
<th>Type of Housing</th>
<th>City TIF Commitment</th>
<th>Total Affordable units</th>
<th>Average TIF Investment per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordable Housing Development</td>
<td>$76,540,000</td>
<td>3,520</td>
<td>$21,744</td>
</tr>
<tr>
<td>Chicago Housing Authority Development</td>
<td>$70,721,000</td>
<td>2,170</td>
<td>$32,590</td>
</tr>
</tbody>
</table>

In addition to these outcomes, the City of Chicago has also developed a plan on how it will use TIF revenue to create and preserve affordable units over the course of five years (2009 to 2013). In the City’s affordable housing plan, *Keeping Chicago’s Neighborhoods Affordable, Fourth Quarter Progress Report October- December*, the following production projections were made for 2009:

\textsuperscript{16}Sweet Home Chicago Coalition, "Reports About Sweet Home Chicago," p.9.
### 2009 Estimates of Production by Income Level\(^\text{17}\)

<table>
<thead>
<tr>
<th>Total TIF and TIF-NIP Funds Anticipated</th>
<th>Units by Income Level</th>
<th>Total Units</th>
<th>Cost per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>To create and Preserve Affordable Rental Units</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multifamily Rehab &amp; New Construction</td>
<td>$20 million</td>
<td>55 71 210 155 9 0 0</td>
<td>500</td>
</tr>
<tr>
<td>Multifamily Preservation (TIF-NIP)</td>
<td>$820,000</td>
<td>0 0 0 0 165 0 0</td>
<td>165</td>
</tr>
<tr>
<td><strong>To improve and preserve homes</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TIF- NIP (single family)</td>
<td>$2.1 million</td>
<td>12 47 57 24 39 48 3</td>
<td>230</td>
</tr>
</tbody>
</table>

### Sample Project

**Renaissance Apartments in Lawndale:** One of the affordable housing developments built in Chicago with TIF revenue is the Renaissance Apartments. It’s a renovated apartment complex with twenty-seven two-bedroom units, seventeen three-bedroom units, and ten four-bedroom units.\(^\text{18}\) The apartments are for households at or below 60% AMI. The total project’s cost was $10.7 million, including $2 million in TIF revenue. This project was leveraged with other sources of financing including a grant from the City’s housing trust fund, state grants for energy efficiency, Low Income Housing Tax Credits, and a HOME Loan.\(^\text{19}\)

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2. Atlanta, Georgia | Tax Allocation Districts (TAD)

**Summary:** In Atlanta, seven of the ten TIF / tax allocation districts (TAD) have an affordable housing requirement. The policy in many of the districts is to have at least 20% of the units in TIF funded residential projects be affordable to households at or below 80% of the AMI.\(^20\) In the BeltLine TAD, the Atlanta City Council required that at least 15% of funds be dedicated to affordable housing. Revenue in the Beltline TAD can be used for land acquisition, transit improvements, affordable housing, open space, and Atlanta Public School projects. A portion of the funds can be used for “developer infrastructure, primarily for environmental brownfield cleanup.”\(^21\) Within the first five years of the Beltline district, “it is expected that $42 million dollars will be made available for affordable housing through the BeltLine Affordable Housing Trust Fund. Over 25 years, it is expected that $240 million will be made available to the Trust Fund. This could produce as many as 5,600 affordable housing units.”\(^22\)

**Allowable Uses of TIF Funds for Affordable Housing:** In Georgia, “TAD funds can be used for capital costs, which include: construction of new buildings; public works or improvements; renovation, rehabilitation, demolition, or expansion of existing buildings; acquisition of equipment; and clearing and grading of land.”\(^23\) More specifically, TIF revenue can be used for construction or rehabilitation of multifamily and single family housing for households 60% or below AMI. For homeownership units, TIF revenue can be spent on construction and rehabilitation of units for households making 110-115% or below AMI.\(^24\) The Redevelopment Plan for each district outlines allowable uses of TIF revenue and these uses must support and be aligned with the goals of the plan.

Funds can be used for up to 30% (35% for Community Housing Development Organizations (CHDOs)) of the total cost of the development. In the BeltLine TAD, the total amount of grant dollars available for the purposes listed above is over $8 million per year ($42 million in five years).\(^25\)

**Outcomes:** As of the 3rd quarter 2009, it is estimated that 1,800 affordable housing units have been developed in three tax increment districts (Eastside, Westside and Atlantic Station). Another 600 affordable units are being developed in the Bolton TAD.\(^26\) According to the Livable

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Communities Coalition’s report, over 2,500 affordable units out of 10,000 units have been built or are in the pipeline, which have accessed TIF funding.\textsuperscript{27}

\textbf{Sample Districts:}

\textbf{Atlantic Station TAD:} The developer plans to have 20\% of units built in the district to be affordable to households at 80\% or below the AMI. As of 2009, 30\% of the units are considered affordable, which includes 241 condominiums and 427 apartments.\textsuperscript{28}

\textbf{Eastside TAD:} The affordable housing plan for this district requires 20\% of new residential units to be affordable. The affordable housing units are reserved for renters earning up to 60\% AMI and homeowners earning up to 100\% AMI. It is anticipated that 718 units (514 apartments and 204 condominiums) or 38\% of units will be affordable in this district. As of 2009, 150 affordable owner-occupied units and 254 affordable rental units have been created.\textsuperscript{29}

\textbf{Perry Bolton TAD, West Highlands:} According to the 2009 3\textsuperscript{rd} Quarter report, 395 units in this district have been developed that are affordable. Over 50\% of the multifamily rental units that have been developed are considered affordable in this district. In addition to the rental units, 240 affordable single-family homes or 20\% of all sale units are being planned in this district using TIF.\textsuperscript{30}

\textbf{Princeton Lakes TAD:} It is expected that half of the home ownership units in this district will be considered affordable to households earning 80\% or below AMI.\textsuperscript{31}

\textbf{Westside TAD:} 246 units or 21\% of the units created so far with TIF revenue have been affordable.\textsuperscript{32}

\textbf{Housing Impacts of the Atlanta Tax Allocation Districts}

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Eastside</th>
<th>Westside</th>
<th>Atlantic Station</th>
<th>Perry-Bolton</th>
<th>Princeton Lakes</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Housing Units</td>
<td>1,876</td>
<td>1,197</td>
<td>3,579</td>
<td>2,112</td>
<td>1,460</td>
<td>10,224</td>
</tr>
<tr>
<td>Affordable Units</td>
<td>718</td>
<td>246</td>
<td>828</td>
<td>671</td>
<td>-</td>
<td>2,463</td>
</tr>
<tr>
<td>Percent Affordable</td>
<td>38.3%</td>
<td>20.6%</td>
<td>23.1%</td>
<td>31.8%</td>
<td>0%</td>
<td>24.1%</td>
</tr>
</tbody>
</table>

Source: Livable Communities Coalition\textsuperscript{33}

\textsuperscript{27}Livable Communities Coalition, "Studies and Reports-Survey and Analysis of Tax Increment Districts (TADs) in Georgia," Livable Communities Coalition, http://www.liveablecommunitiescoalition.org (accessed August 23, 2010).

\textsuperscript{28}Atlanta Development Authority, City of Atlanta, Tax Allocation Districts, "Tax Allocation District Quarterly Report: 3rd Quarter 2009," Quarterly Report, Atlanta Development Authority, City of Atlanta (2009), 10, p.5.

\textsuperscript{29}Ibid.

\textsuperscript{30}Ibid.

\textsuperscript{31}Ibid.

\textsuperscript{32}Ibid.

\textsuperscript{33}Ibid.
3. Portland, Oregon  |  TIF Set-Aside Program

Summary: The Portland City Council and the Portland Development Commission (PDC) adopted a “TIF Set-Aside” policy in 2006 that requires at least 30% of TIF revenue generated in the urban renewal areas (URAs) be dedicated to affordable housing, including its development, preservation, and rehabilitation. This will help ensure that there is reliable source of funding for affordable housing in Portland’s URAs. Plus, “guidelines were adopted to ensure that the focus of the TIF set aside is on implementing two primary City priorities; first, to provide opportunities for affordable homeownership in support of families, especially families of color, in an effort to bridge the homeownership gap (Operation HOME); and second, to create low-income rental housing for extremely low-income households and formerly homeless individuals and families (the 10-Year Plan to End Homelessness).”

Income Levels: The target for the housing is households earning 100% or below of MFI. The PDC created housing goals, including target income levels, for each URA for the five-year period from 2006 to 2011. The income guidelines/brackets are defined as follows:

- 0-30% Median Family Income Rentals
- 31-60% Median Family Income Rentals or Homeownership
- 61-80% Median Family Income Homeownership, with an allowance for up to 100% MFI homeownership for larger units serving families.
- Community Facilities (defined as facilities for social service providers with a primary mission of serving homeless and low-income people).

Outcomes: Each URA has a housing plan which details how the funding should be spent and each plan is developed in light of the City’s housing goals. The PDC predicts the level of funding available each year and the amount of funding available by housing type.

The PDC created a policy implementation plan and the Portland Housing Bureau is monitoring the program’s outcomes. For the first three years of the TIF policy (2006-2009), “$67 million was generated and spent in new affordable housing resources for Portland’s nine URAs – 27% of available funds. This keeps the City on track to meet the five-year goal to spend at least 30% of TIF resources on affordable housing. This housing investment is in addition to the $178 million of TIF funds invested in other revitalization activities in the nine URAs over the same period.”

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The housing goal for the five-year period (2006-2011) was to create or rehabilitate between 1,200 - 4,000 units.\(^{37}\) Below is the breakdown by affordability level for the 3,663 units produced between 2006 and 2009 using TIF funds ($67 million):

- 1,308 units at 30% or less MFI
- 1,821 units at 31-60% MFI
- 269 units at 61-80/ 100% MFI
- 265 non-set aside units\(^{38}\)

### Sample Urban Renewal Districts and Projects:

**Lents Town Center Urban Renewal Area:** In 2008-2009, TIF revenue was used to assist thirty-two new homebuyers, repair sixty-nine homes for existing homeowners in the district, rehabilitate seventeen apartment units, construct twenty-one new homeownership units, and leverage $10.8 million of additional funding for these projects.\(^{39}\)

Pardee Commons: This development is located in the Lents Town Center URA and includes 10 affordable homes. They are targeted for families earning $56,000 or less per year. Another home ownership developer in the district is Habitat for Humanity’s Martins Street Homes, which created 7 homes.\(^{40}\)

**Interstate Corridor Urban Renewal Area:** One of the objectives of this area is to “Develop new housing that is transit supportive, compatible with the existing neighborhood, maximizes infrastructure improvements, reuses vacant and underutilized property, and strikes a balance between providing access to affordable owner-occupied and rental units while avoiding the displacement of existing residents.”\(^{41}\)

Patton Park Apartments: This complex is a mixed-use development and it is in the Interstate Corridor URA. The total project cost was $12.2 million, including $4.5 million in TIF revenue, to create the new affordable housing development. There are 54 rental units along with ground floor commercial space. All of the units are reserved for households at 50% or below the Median Family Income. This mixed used building is located near a transit line, park, and a community college campus. Other highlights of the project include a “computer room,

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children’s play room, laundry facilities, and a rear parking lot built with permeable paving and stormwater bioswales.”

4. **MaineHousing | Affordable Housing Tax Increment Financing**

**Summary:** The state of Maine has created an Affordable Housing Tax Increment Financing Program, which is administered by MaineHousing (the Maine State Housing Authority). Municipalities can designate an area as an Affordable Housing Development District, develop a detailed plan, and apply to MaineHousing for TIF funds. The plan must include development plans, projections of the tax increment revenue available, estimated costs of proposed TIF funded projects, how TIF funds will be used, and provisions for maintaining affordability over time.\(^4^3\)

For an area to be identified as an affordable housing development (AHD) district, at least a quarter of the area must be appropriate for residential development, given this program’s emphasis on housing. Other requirements are that the area has a real need for affordable housing, and complies with state laws regarding growth related capital investments. In terms of income eligibility and requirements, at least one third of units must be reserved for households earning 120% or below of the area median income.\(^4^4\)

**Length of Affordability:** Rental units must remain affordable for at least thirty years, while owner-occupied units must remain affordable for a minimum of ten years.

**Allowable Uses of TIF Funds:** Below are allowed costs within an AHD district:

- Capital costs
- Financing costs
- Project operating costs
- Professional service costs
- Administrative and start-up expenses
- Costs associated with recreational and child care facilities\(^4^5\)

Other costs are allowable outside of the district if they are associated with the operation of the district, or made necessary by its creation, including:

- Costs of infrastructure and public safety improvements.

\(^4^2\)Portland Development Commission, *Interstate Development Corridor.*
\(^4^4\)Ibid.
\(^4^5\)Ibid.
• Costs to mitigate adverse impacts on the community (including costs to local schools)

• Costs to establish permanent housing development finance program, in the form of a revolving loan or investment fund

**Outcomes:** Since 2004 when the AHTIF Program began, twelve municipalities have approved AHTIF districts and development programs. The districts last between fifteen and thirty years. In total, over $28 million in TIF funding has been dedicated for the creation of an estimated 647 rental units, ninety condos, and twenty-eight homes. The average cost per unit is $36,601.

**Sample Project:**

The South Portland Affordable Housing TIF District, known as the Brick Hill Affordable Development District, has created forty-three rehabilitated rental units, sixty-six new affordable townhomes (reserved for households at 60% or below AMI), and thirty affordable condominium units. Features include walkable streets, a playground, and a community room.

5. **Albuquerque, New Mexico | Tax Increment District**

**Summary:** Mesa del Sol is a Tax Increment for Development district (TID) in Albuquerque, NM. Over its thirty-year term, it is expected that of the planned 38,000 housing units, 7,600 units will be made affordable. One of the conditions of the financing was a commitment to the development of affordable and workforce housing. At least fifteen percent of the housing units in Mesa del Sol must be workforce housing, which is housing that is affordable to households making 80% or less AMI. An additional five percent of housing must be affordable for households earning between 80% and 130% AMI and these units are considered mid-range affordability units.

The affordable housing units will be priced at the following ranges:

• 2% of the units affordable to households earning less than 50% of the AMI;

• 3% affordable to 50-60% of the AMI;

• 5% affordable to 60-70% of the AMI;

• 5% affordable to 70-80% of the AMI; and

• 5% affordable to 80-130% of the AMI.

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46 Ibid.
In order to ensure the development of these affordable units, a Workforce Housing Plan was developed. This plan includes a phasing scheme to integrate the affordable units into the rest of the development. The plan also stipulates that for affordable housing developments, at least 15% of the units must be market rate and if it is a 100% affordable housing multifamily development, then it must be integrated into a neighborhood with market rate housing.  

**Financing Incentive:** “The developer receives a one-for-one density bonus for the affordable units. That is, for each affordable unit that is developed, the developer is allowed one additional market rate unit.”  

**Outcome:** Due to current economic conditions, residential development is in the district is currently on hold.

6. California

**Summary:** In California, at least 20% of the revenue from TIF districts is set aside for affordable housing. The TIF revenue is put into a housing fund by the redevelopment agencies and these funds are used to build affordable housing for low- to moderate-income households.

**Outcomes:** “In the 2004-2005 fiscal year, for example, California redevelopment agencies deposited more than $1.2 billion into low- and moderate-income housing funds and helped some 20,493 households secure affordable homes.”  

“Redevelopment agencies constructed over 51,328 new units of affordable housing and rehabilitated over 21,792 units from 1993-94 to 2004-05. In other words, over 73,120 families have better housing today.”  

**Sample Project:**

**Swans Marketplace in Oakland:** A historic building in Old Oakland was redeveloped and with 30,000 square feet of commercial space and 38 residential units, including a cohousing project and affordable rental units. It was accomplished by “splitting the development into multiple parcels, eligible for funding under different programs.” The developer leveraged city and state funding along with tax credits and grants from other sources to redevelop the site. The total project cost, excluding land acquisition, was $25.8 million.

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50 Ibid.
51 Ibid.
52 HousingPolicy.org - Online guide to state and local housing policy, Minimum Requirements for TIF Revenue to be Spent on Affordable Homes, http://www.housingpolicy.org/toolbox/strategy/policies/tif.html?tierid=143.
7. Kansas City, Missouri | TIF Housing

**Summary:** Five TIF districts in Kansas City have a housing component in their district policies. The program provides funding to single-family homeowners for exterior improvements. The funding is provided through self-amortizing loans and has a five-year residency requirement. The loan forgives 20% of the principle amount each year for five years. If the homeowner does not remain at the residence for the five-year period, then they are required to pay for the prorated period.

**Match Requirements**

<table>
<thead>
<tr>
<th>Household Income</th>
<th>Matching Private/ Loan Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower than 100% of Median</td>
<td>No match required</td>
</tr>
<tr>
<td>Between 100% and 125% of Median</td>
<td>1 to 1 match required</td>
</tr>
<tr>
<td>Greater than 125% of Median</td>
<td>2 to 1 matched required</td>
</tr>
</tbody>
</table>

Single-family homeowners can apply for up to $15,000 and up to 30% of the funding can be spent on interior repairs. Owners of single-family rental units can apply for up to $20,000 and these must be occupied within 18 months. For these units, a 1 to 1 match is required.

**Outcome:** According to the Economic Development Corporation, the TIF home repair program has “generated a total of $3.8 million public and private reinvestment in over 400 neighborhood homes” as of 2008.

**Sample Project:**

Since 2007, a nonprofit organization, the Blue Hills Community Services, along with the Ivanhoe Neighborhood Council, coordinate the local home repair program called Build, Invest, Train, and Educate (B.R.I.T.E.) Program. Each year, it is expected that they will assist thirty households in the Blue Hills and Ivanhoe neighborhoods in Kansas City. In total, the goal is to provide $500,000 per year in home repair services for ten years. This program is funded by the Research Hospital through the Southtown/31st and Baltimore Tax Increment Financing Plan.

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8. Austin, Texas | Homestead Preservation Act

The Homestead Preservation Act allows for the creation of a Homestead Preservation Reinvestment Zone. All of the tax increment in this district will be dedicated to affordable housing. This financing tool can be used alongside a traditional TIF district. A Homestead Land Trust can “acquire and hold land for affordable housing in the reinvestment zone district” and a Homestead Land Bank can “expedite the process of clearing title to vacant and abandoned lots with delinquent taxes in order to make these sites available for affordable housing.”

The state legislation mandates the following funding levels:

- 25% of funds for households at 30% MFI or below
- 50% of funds for households at 50% MFI or below
- 5% of funds for households at 70% MFI or below
- 10% for nonprofit housing developers & land bank
- 10% or less for TIF administration costs

**Allowable Uses of TIF Funds:** TIF funds can be used for acquisition, construction and rehabilitation of affordable housing and related infrastructure. As revenue is generated, it will be used to fund projects and “no debt will be issued.” Funding will primarily benefit homeowners. As of February 2011, the taxing entities for the City of Austin and Travis County cannot reach an agreement as to the appropriate participation levels for the respective taxing entities. Therefore, there is enabling legislation, but a Homestead Preservation TIF has not been established.

9. Minnesota | TIF Housing District

**Summary:** TIF revenue from a TIF housing district can only be used for housing developments, related public improvements, and administrative costs. Revenue can cover acquisition, rehabilitation, construction costs, planning, engineering, and architectural services, and other related financing costs. The housing must be “intended for occupancy, in part, by low- and moderate-income individuals, as defined under a federal, state, or municipal law.” As of 2007, roughly one fourth of TIF districts in Minnesota are housing districts.

**Affordability Levels:** Rental developments must meet one of the following requirements:

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• “20-50 test: 20 percent of the units must be occupied by households at 50% or below AMI”\(^6\)

• “40-60 test: 40 percent of the units must be occupied by households at 60% of below AMI”\(^6\)

• State-identified targeted areas: census tracts where 70% or more of households are at 80% or below the state median income

• For owner-occupied units, the income limit is 115% or below the area median income or the state median income, whichever is greater

**Affordability Length:** For rental units, the affordability requirements are in effect for the life of the TIF district. For owner-occupied units, the unit is only mandated to be affordable to the first owner.

**Sample Projects:**

**Marshall, Minnesota:** The city of Marshall purchased land in its downtown area with funding from TIF bonds. Some of the residential units that were built were affordable. The affordable units had “slightly lower square footage and less expensive finishings inside.”\(^6\) The total development consisted of “82 single-family lots, three duplex lots, 18 moderated-income multifamily units and 30 multifamily and mixed-income units ranging from 30 percent of statewide median income to market rate. Homeownership was not restricted by income. The various funding mechanisms were available only to households meeting certain income thresholds. The permanent mortgage products had varying income requirements from 80 to 115 percent of the statewide median income. Gap and entry-cost assistance were income-restricted below 80 percent of the statewide median income. Rental housing is also available at market and affordable rates.”\(^6\)

The TIF funding was leveraged with other funding sources including the Minnesota Housing Finance Agency, the Greater Minnesota Housing Funds, and the USDA. In addition, the town’s largest employer, Schwan’s Food Company, had experienced labor shortages and provided funding to create affordable units. These other sources of funding covered construction costs and down payment assistance while the TIF funding was used for land acquisition.

**Minneapolis, Minnesota:** The East Village project in Minneapolis is a mixed-use development with 139 market-rate and 40 affordable units, as well as commercial/retail spaces. The units range in size from studios to four bedroom units, and the project is located along a light rail line. TIF funding was leveraged with HOME funding, housing revenue bonds, low income housing tax credits, Community Development Block Grant, Community Economic Development

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\(^6\)Minnesota House of Representatives, "Housing TIF Districts."

\(^6\)Minnesota House of Representatives, "Housing TIF Districts."

\(^6\)BBC Research and Consulting, "Appendix A: Components to Affordable Housing," Housing Needs Assessment, Arapahoe County and Douglas County (Denver, 2009), 21, p.6

Loan Fund Loan, Urban Revitalization Action Program Loan, MCDC 1st Mortgage (FHLB), corporate funding, Central Community Housing Trust (CCHT) Loans, a Minnesota Livable Communities Grant, Eliot Park Neighborhood Revitalization Program Grant, and Minnesota Housing Finance Agency/ Family Housing funding.\(^{65}\)

**Eagan, Minnesota:** In Eagan, TIF revenue can be used for new construction or rehabilitation of rental housing and it usually comes in the form of an Interest Rate Reduction Program (IRR). The Dakota County Community Development Agency, an agency that assists with financing affordable housing, mandates that the “housing district meet all of the requirements for a low-income housing credit under section 42 of the Internal Revenue Code of 1986, as amended through December 31, 1992, regardless of whether the project actually receives a low-income housing credit.”

The Interest Rate Reduction program usually includes the following restrictions:

- A maximum of 15 years of increment payments
- Generally TIF assistance will not exceed 70% of increment available (subject to underwriting)
- Interest rate reduction payments must only be utilized to pay interest on project financing\(^{66}\)

Another requirement is that the developer will be required to participate in the Section 8 Rental Assistance Program. This is effective for the life of the agreement and it means that while the developer/ owner has units that meet the Section 8 requirements, they “will not exclude from consideration qualified families receiving assistance for the Section 8 Program.”\(^{67}\)

TIF can also be used for “new construction, acquisition, or acquisition/rehabilitation of owner occupied housing.”\(^{68}\) The majority (95%) of the housing assisted with TIF revenue must be targeted for households making up to 115% of the Area Median Income. Plus, the agency has set up additional guidelines which require that at least “50 percent of the housing units in the project must be initially purchased and occupied by individuals or families with an annual adjusted gross income which is equal to or less than 80 percent of the area median gross income, as determined annually by the U.S. Department of Housing & Urban Development (HUD).”\(^{69}\)

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\(^{67}\) Dakota County Community Development Agency, "Financing Tools for Housing Developers," p.3.


\(^{69}\) Ibid.
10. Missoula, Montana

**Summary:** In a 2008 report on the housing situation in Missoula, researchers found that federal funding and resources, though insufficient, do exist for households at or below 80% of the median income. However, there is no federal or state funding in Missoula for households between 80% and 125% of the median income.\(^70\) In light of the report, the Mayor’s Housing Team adopted a resolution that prioritizes affordable housing at every level, along with the specific goal of housing at least 75% of the workforce (generally households making 60-125% of the median income) within the city’s boundaries.\(^71\)

The Housing Team considered the following options for using TIF funds for affordable housing:

- Dedicate at least 50% of TIF funds for housing households between 80 and 125% of the median income.
- Use up to three fourths of the TIF funds for workforce housing, which is targeted for households between 60% and 125% of the median income.
- Rank projects in a way that favors funding for either workforce or low-income households.
- Fund affordable housing projects for households in general instead of targeting households at specific income groups.
- Target the income levels of the housing depending on the housing type, either homeownership or rental. For example, rental units could be reserved for households under 80% and homeownership units could be targeted for households between 60 and 125%.\(^72\)

For affordability levels, the Housing Team considered the following options:

- Ensure the units remain affordable for 30 years.
- Ensure that the city, developer, or nonprofit monitors the units so that they remain affordable for the appropriate length of time.

**Sample Projects:**

**Equinox:** This project included demolition, infrastructure improvements, land acquisition, and new construction and it resulted in thirty-five units of affordable housing, market rate housing

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\(^{72}\) Ibid.
including condos, and commercial space for offices and retail. TIF revenue was leveraged with housing tax credits.\textsuperscript{73}

**Garden District Housing Project:** The Missoula Housing Authority used TIF revenue for the first phase of this project, which included thirty-seven rental units in three buildings. The project cost, including construction costs, materials, land acquisition, design costs, fees, utility and other infrastructure improvements, and construction loan interest, was $6.6 million.\textsuperscript{74}

### 11. Washington State | Local Infrastructure Financing Tool Program (LIFT)

Compared to other states, Washington has a limited TIF program.\textsuperscript{75} After a series of attempts at the polls and in court to allow tax increment financing, TIF legislation was passed in 2001. Because TIF can’t access state property taxes, many consider Washington’s original TIF program to be a ‘light’ version of TIF.

This policy – or, Community Development Refinancing legislation, has since been amended and supplemented with other programs, most notably the Local Infrastructure Financing Tool Program (LIFT) in 2006. The LIFT Program is funded through local property taxes and state sales tax credits; no state property taxes are used. The program allows for many typical infrastructure improvements, such as road construction and maintenance, storm water systems, parking facilities, and sidewalks. It also allows for facilities and improvements that support affordable housing to be funded with LIFT funding. Any affordable housing improvements must be compatible with the housing guidelines in the municipality’s comprehensive plan.\textsuperscript{76}

Additionally, the legislation mandates that the City takes an inventory of “existing low-income housing and small businesses within the RDA (Revenue Development Area), estimate the impact upon them, and develop a mitigation plan for the impacted businesses and housing.”\textsuperscript{77}

In total, the state can spend up to $7.5 million per fiscal year and only certain locations can apply. The maximum amount per project is $1 million. Because of these limitations, nine districts have been approved. Currently the application process for LIFT funding is closed and will remain closed unless new legislation is passed.

\textsuperscript{74}Missoula Redevelopment Agency, "Garden District I Project (Portion of Former Intermountain Lumbersite)” (Missoula, Montana, November 15, 2008), p.3.
One of the nine areas that will receive LIFT revenue mentions affordable housing. However, it does not appear that the LIFT funds will go directly towards that housing. One of the goals in the River District in Spokane is to provide, “A diverse range of housing products that reflects the changing markets to smaller lots and higher density development, including affordable and workforce housing components.” The commitments for projects so far include parks, roadways, and stormwater/wastewater collection.

12. Massachusetts | Urban Center Housing Tax Increment Financing Program

The Massachusetts Urban Center Housing Tax Increment Financing Program (UCH-TIF) primarily funds residential development that is “appropriate to a commercial center, e.g., multi-unit. Single family housing is prohibited.” TIF revenue can cover new construction and rehabilitation. Also, TIF revenue is paired with other local, state, and federal grants and loans in order to cover the costs of development.

The general requirement is that a minimum of 25% of new housing units must be affordable. However, a lower percentage of affordable units may be allowed in certain circumstances when the development isn’t financially feasible with a higher percentage of housing. There must be a “detailed urban center housing tax increment financing plan (“UCH-TIF Plan”)” that the municipality adopts for a designated TIF zone.

The plan includes an “explanation of the need for residential development in the proposed UCH-TIF Zone, including affordable housing” and a “summary of the types, amounts and locations of the proposed affordable housing.”

The TIF Agreement includes a restriction that mandates that “25% of the housing assisted by the annual real estate tax exemption will be affordable either for the life of the housing or for forty years, whichever is longer.”

13. San Antonio, Texas | TIRZ Districts

As of 2007, there are twenty-three existing TIRZ districts in which 1,800 market-rate and 1,000 affordable units have been created. The city has partnered with various programs and

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79 Ibid.
80 Commonwealth of Massachusetts, "Urban Center Housing Tax Increment (UHC-TIF) - UHC-TIF Application Guidelines," p.5.
organizations, including the Down Payment Assistance Program, Homebuyer Counseling Program, Bexar County Housing Finance Corporation, and San Antonio Alternative Housing Corporation, San Antonio Housing Authority, for the affordable units.  

In San Antonio, all TIRZs that are city sponsored and that have a residential component must include affordable housing. The City requires that at least 20% of residential development must be affordable to low to moderate-income households. Owner-occupied units are reserved for households who are at 120% or below of San Antonio’s AMI. For rental units, “affordability is indexed to annually published HUD Section 8 Rents. These published rents are pre-set annually and based on household income and size.”

Sample Districts:

The TIRZ#2 (Rosedale) is a thirty-acre tract zoned for residential and commercial development. One of the projects in the TIRZ is a development with sixty-four single-family houses for households 80% or below the city’s AMI and for first homebuyers. Similarly, TIRZ #5 (New Horizons) is a 10-acre tract that includes the construction of single-family homes households at 80% or below AMI.

14. Florida | Community Redevelopment Districts

In Florida, Community Redevelopment Agencies have the power to establish TIFs in the designated Community Redevelopment Districts that can last up to forty years. In order for a TIF to be created, certain conditions, such as a lack of available affordable housing, must be met. The next steps are to document the existing conditions and to create a Community Redevelopment Area to “provide the tools needed to foster and support redevelopment of the targeted area.”

As the TIF revenue is collected and sent to the Redevelopment Trust Fund, the funds “can be used immediately, saved for a particular project, or can be bonded to maximize the funds available. Any funds received from a tax increment financing area must be used for specific redevelopment purposes within the targeted area.” TIF revenue is often leveraged with other affordable housing funding including Community Development Block Grant, State Housing Initiatives Partnership, and HOME.

Sample Districts:

Delray Beach, Florida: Workforce housing is produced in Delray Beach with funding from the State’s Community Redevelopment Agency’s TIF fund and the State Housing Initiatives

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83 City of San Antonio, Housing and Neighborhood Services Department, p. 21.
87 Ibid.
Partnership (SHIP). This funding is used to support the integration of workforce housing into market rate housing developments. The City has sought to maintain the affordability of workforce units by amending the housing policy so that the local Community Land Trust is given the “first right-of-refusal when workforce units that have been built by private developers are put up for sale.” The City’s goal is to ensure that affordable housing continues to be affordable through the retention of the public subsidy.

The Delray Beach Community Land Trust leverages TIF funding with SHIP funds to develop affordable units for first time homebuyers. In Fiscal Year 2006-2007, nearly $500,000 was allocated for “first-time homebuyer assistance with the subsidy attached to the housing unit through the CLT.” In 2007, the land trust built and sold 10 units to households with low and moderate incomes. In addition, a half a million was used to create fourteen affordable rental units through the conversion of a historic structure into apartments. The $500,000 included both TIF and SHIP funds.

Davie, Florida: The town has multiple strategies to increase the affordable housing stock, including the use of TIF funds for affordable housing and passing an affordable housing/inclusionary zoning ordinance. The town leveraged TIF funding with private financing to develop twenty-two affordable housing units in partnership with the nonprofit Habitat for Humanity.

For all affordable housing projects, there is coordination among the town’s departments and they “waive every fee for affordable housing except water and sewer impact fees which are mitigated using SHIP funds.” Any project that includes affordable housing is eligible for fee waivers and the Director closely reviews the project. He/she will then waive all fees including “Parks and Recreation Impact Fees, Design Review and Site Plan Processing Fees, Engineering Review Fees, Building Permit Fees, etc.” The town also leverages TIF funds with the Community Endowment Fund (CEF), HUD Community Development Block Grant (CDBG), HOME funds, and State Housing Incentives Program (SHIP) funds.

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88 The Metropolitan Center at Florida International University, "South Florida Workforce Housing Best Practices, City of Boynton Beach, City of Delray Beach, Town of Davie, City of Miami Beach and City of West Palm Beach," November 2008, http://icma.org, p.11.
89 Ibid.
90 Ibid.
91 Ibid.
92 Ibid.
93 The Metropolitan Center at Florida International University, "South Florida Workforce Housing Best Practices, City of Boynton Beach, City of Delray Beach, Town of Davie, City of Miami Beach and City of West Palm Beach," p.12.
94 Ibid.
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—. "Existing Affordable Housing TIFs, Maine Communities Using Affordable Housing Tax Increment Financing (AHTIF)." *MaineHousing*. http://www.mainehousing.org/HOUSINGDEVProgramsDetail.aspx?ProgramID=27 (accessed August 18, 2010).


