



**MORE HOUSING**  
W I S C O N S I N

HELPING COMMUNITIES DEVELOP  
HOUSING SOLUTIONS.

WHITEPAPER SERIES  
Briefing Paper **9**

**NOVEMBER 2024**

# Municipal Housing *Solutions*





# More Housing Wisconsin

Wisconsin is experiencing a **significant housing shortage**. A recent study estimates Wisconsin will need to build **over 200,000 housing units by 2030** to accommodate all the people who want to live and work here.<sup>1</sup> More Housing Wisconsin, a collaboration between the League of Wisconsin Municipalities, Wisconsin REALTORS® Association, and the Wisconsin Builders Association, seeks to educate and inform Wisconsin city and village leaders and staff about zoning changes and other strategies communities can use to help **address this state's housing shortage**. Our goal is to bring tools, resources, and best practices to municipalities to help communities initiate housing solutions that meet their unique needs and **strengthen our economy**.



# THIS MONTH'S TOPIC NOVEMBER 2024

## Using the TID Affordable Housing Extension to fund municipal housing initiatives

The best tool available for Wisconsin communities to help fund innovative strategies for generating more workforce housing is the TID affordable housing extension. A paragraph<sup>ii</sup> added to the tax incremental financing law in 2009 allows municipalities to extend the life of a tax incremental district (TID) otherwise set to be terminated for one additional year and all the tax increment collected during that year must be used to “benefit affordable housing” in the community and “improve the [municipality’s] housing stock.”

The last five years has seen a steady growth in the number of communities using the TID affordable housing extension.<sup>iii</sup> In this briefing paper we explain how communities can take advantage of the TID affordable housing extension and review ways communities of different sizes have been using this option.

## PROCESS FOR USING THE TID AFFORDABLE HOUSING EXTENSION

Under Wis. Stat. § 66.1105(6)(g), a city or village with a TID that has retired its debt and paid for all its project costs can extend the life of the district for one year if the municipality does the following:

- (a) adopts a resolution extending the life of the district for an indicated number of months (up to twelve) and specifying 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 district’s extended life, without regard to any other statutory provisions otherwise requiring termination of the allocation of such increments.<sup>iv</sup> A city or village must use at least 75% of those tax increments to “benefit affordable housing” anywhere within the community in which the district exists.<sup>v</sup> The remaining 25% of the increments must be used to improve the community’s housing stock.<sup>vi</sup>

The TIF law defines the term “affordable housing” to mean housing that costs a household no more than 30% of its gross monthly income.<sup>vii</sup> A “household” consists of an individual and his or her spouse and all minor dependents. The TIF law does not define what it means to “benefit” affordable housing. Also, neither DOR nor any other state agency has provided guidance, leaving municipalities with broad discretion in choosing how to use the affordable housing extension tax increments to benefit affordable housing. Moreover, there are no reporting mandates municipalities must comply with concerning the use of affordable housing extension dollars beyond the requirement to specify in the initial resolution how the municipality intends

to improve the community’s housing stock. However, municipalities that push the envelope regarding what qualifies as benefiting affordable housing risk:

- Lawsuits being filed by taxpayers, advocacy groups, or other taxing jurisdictions challenging the municipality’s use of affordable housing extension funds.
- Losing the trust of the Joint Review Board.
- Losing the trust of the public.
- Motivating the Legislature to repeal the provision.<sup>ix</sup>

## **CAN TID AFFORDABLE HOUSING EXTENSION FUNDS BE COMBINED WITH NEW WHEDA WORKFORCE AND SENIOR HOUSING LOAN PRODUCTS TO HELP FINANCE THE SAME HOUSING PROJECT?**

Yes, as long as the affordable housing extension proceeds going to the project are from a closed and no longer active TID. Housing developments that have “received financial assistance from tax increments generated by an active tax incremental district” are not eligible for the Vacancy to Vitality, Restore Main Street, and Infrastructure Access loan programs for workforce and senior housing.<sup>x</sup> However, WHEDA updated its FAQs<sup>xi</sup> regarding the Vacancy to Vitality, Restore Main Street, and Infrastructure Access loan programs<sup>xii</sup> in June 2024 to clarify that a housing development is eligible for low interest loans under these programs even if it also receives TID affordable housing extension dollars that came from a TID that is now closed and no longer active.

## **MUNICIPAL BEST PRACTICES REGARDING THE TID AFFORDABLE HOUSING EXTENSION**

- Continually evaluate and document that your use of affordable housing extension dollars actually benefits affordable housing.
- Make programs funded by the affordable housing extension sustainable over time.
- Combine affordable housing extension dollars with other sources such as:
  - CDBG
  - TIF
  - WHEDA’s Vacancy to Vitality, Restore Main Street, and Infrastructure Access loan programs for workforce and senior housing projects.
  - Non-profits (e.g., Habitat for Humanity)
- While state law does not require the municipality to inform the Joint Review Board,



**MORE HOUSING**  
W I S C O N S I N

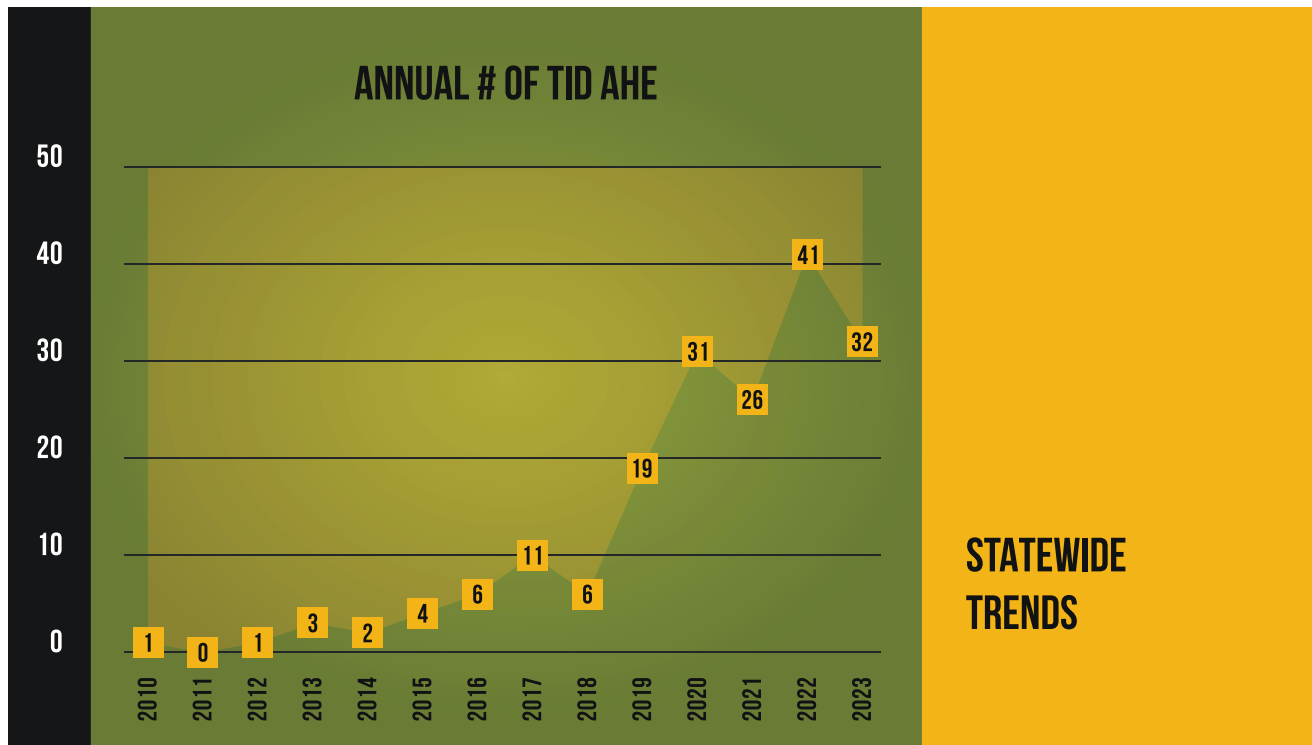
it would be best to keep the Joint Review Board and the municipal governing body updated about use of TID affordable housing extension proceeds.<sup>xiii</sup>

## STATEWIDE TRENDS

A list provided by DOR of all municipalities that have used the TID affordable housing extension from 2010 to 2023 is posted on the League’s Website.

<https://www.lwm-info.org/1706/More-Housing-Wisconsin>

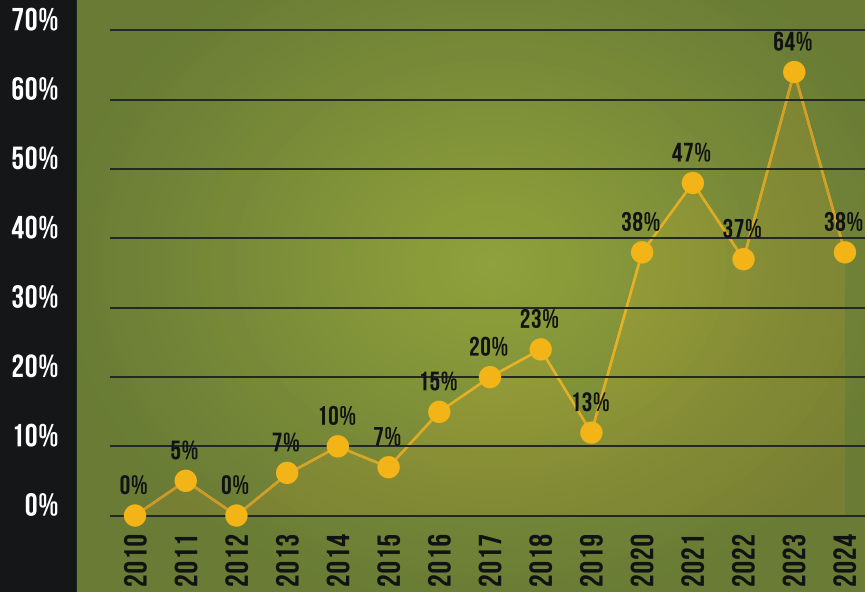
The source for the following three charts is Ehlers, Inc..



**STATEWIDE  
TRENDS**



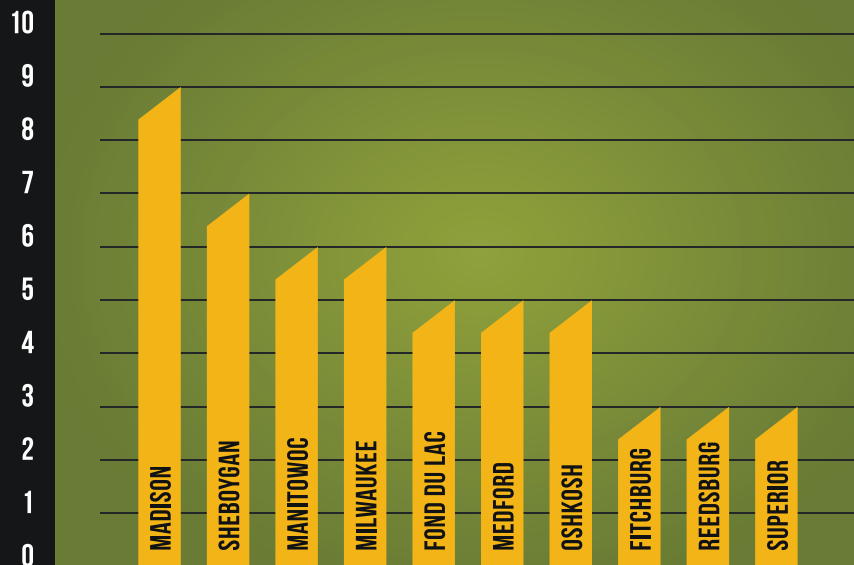
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### STATEWIDE TRENDS

### MOST EXPERIENCED COMMUNITIES

### 4 OR MORE TID AHE



## WAYS SOME MUNICIPALITIES ARE USING THE TID AFFORDABLE HOUSING EXTENSION

**Antigo.** Funded improvements made as part of a city street project (Edison Street) in a low-moderate income neighborhood, enabling city to avoid levying special assessments against property owners on the street.

**Barron.** Used \$300,000 to fill a financing gap pursuant to a developer's agreement on a 40 unit WHEDA housing project constructed in the city.

**Black River Falls.** Used \$49,000 to provide a grant to a local mobile home park owner to help cover cost of repaving the park's roadways.

**Darlington.** Used to purchase 20 acres of land, part of which is for a new well. Long range goal is to subdivide and install infrastructure so city can sell fully improved lots for single-family homes, like other communities in southwest Wisconsin have done such as Lancaster, Cuba City, and Shullsburg.

**Kenosha.** Used \$3 million as city's matching contribution to a public private partnership involving Uline, a major business and employer headquartered along I-94 in Kenosha County, which donated \$3 million to the city for help in developing more workforce housing in the community. Uline's donation was conditioned on the city committing the same amount toward the housing effort. The city has designated 50 city owned vacant lots located in different neighborhoods that will be used to build affordable single family owner-occupied homes. The city's preliminary plan is to offer these lots for a minimal price and to make low interest loans available to builders to assist in financing the cost of constructing the houses. The funding will also be used for second mortgage assistance (gap assistance) in the form of a deferred mortgage loan at 0% interest. The mortgage payment, including taxes and insurance, is limited to 30% of household income, making home ownership affordable for more Kenoshans.

**Madison.** TID affordable housing extension dollars are used to support city's Affordable Housing Fund. Dollars from the Affordable Housing Fund are used to fund three programs designed to help create housing units affordable to lower income households (i.e., 60% AMI limit for rental units and 80% AMI limit for homeownership).



All funding goes out as a loan and focus of each program is on gap financing.

1. Homeownership Development – Seeks to improve and expand housing choices available to residents in Madison by supporting proposals from qualified developers and service providers that:
  - a. Improves existing owner-occupied housing stock.
  - b. Expands supply of affordable owner-occupied housing units through new construction, renovation, or conversion.
  - c. Homebuyer assistance.
2. Affordable Rental Housing Development – non-tax credit.
3. Affordable Rental Housing Development – tax credit<sup>xiv</sup>

**Manitowoc.** Used to fund various programs as part of the city’s “Healthy Homes Initiative”, including:

- Provided \$5,000 loans to assist in the purchase of homes within low to moderate income census tracts. The loans were forgivable at a rate of \$1,000 per year that the purchaser stayed in the home.
- Helped fund the city’s blight removal program that seeks to remove buildings that have been condemned and the owner is unresponsive.
- Support for an affordable housing project on a former brownfield site that would bring an expected 59 units to the area. This would likely be set up as a no interest and no payment 15 year loan.
- Helped fund a Downtown Residential Improvement Program that provides a matching grant of up to \$50,000 for projects that rehab upper story affordable housing units in the downtown. Eligible costs for reimbursement are generally life safety related.

**Oregon.** \$168k used as matching funds for Federal Home Loan Bank of Chicago grant for preserving and renovating 40 apartment units build in the 1970s for extremely low income seniors and people with disabilities. \$180k promised for creation of 8 owner-occupied duplex units by Habitat for Humanity.<sup>xv</sup>

**Ripon.** Majority used to help fund city’s housing programs, including:

- Ripon First Housing Program (First-time Homebuyer Grant)

- Exterior Home Repair Program (Income-based Funding for Exterior Repair Projects-painting, accessibility, windows, etc.)
- Sandmar Lot Sale Program (Lot Price Reduction Program)

Also used to provide financial assistance to a developer to cover cost of a portion of utility and road extensions necessary for a housing development.

The city also used extension funds to update its Housing Study/Plan, which included conceptualizing a new housing development/subdivision to ensure the property would be suitable for development and investment.

**Sun Prairie.** Used to help fund three programs:

- Establish a Satellite Tenant Resource Center Office to provide housing counseling, mediation, and community outreach/education in Sun Prairie.
- Contracting with the City of Madison Department of Civil Rights to administer Sun Prairie's retaliation ordinance by performing mediation, investigation, and conciliation between renters and landlords in cases involving tenants who complain about a building code violation and subsequently face retaliation from the landlord.
- Considering hiring a housing and equitable development planner. (Recommendation of 2022 Housing Study.)<sup>xvi</sup>

**Waukesha.** Used to fund several programs, including:

- Affordable Housing Rehabilitation Program. Designed to improve affordable, owner-occupied housing throughout the City through a revolving loan program that can be used to rehab houses and make them more energy efficient. The program has both property and applicant eligibility requirements to ensure funds are being used on affordable housing. It is intended this program could be used to improve the condition and overall appearance of the City's older housing stock.
- Affordable Housing Development Fund. In order to increase affordable housing and eliminate blight, TIF Affordable Housing Extension funds are being used to provide financial assistance for smaller scale residential redevelopment activities that increase affordable owner-occupied housing stock or eliminate blight and create new affordable housing units. Eligible uses of funds include:
  - Land acquisition activities, such as purchasing of vacant, tax foreclosure property, or blighted properties/buildings that could be marketed and sold to developers pursuing affordable housing developments.

- Site Preparation Activities, such as extending public or private utilities to the property or to buildings on the property; razing buildings, removing basements/foundations, grading work.
- Grants/loans to developers.
- Neighborhood improvement projects in HUD designated Low-to-Moderate Income Neighborhoods and Neighborhood Revitalization Strategy Areas, such as adding streetscape and other placemaking amenities; and minor street and sidewalk repairs or adding pedestrian amenities and connections.
- Housing Planning Activities, such as 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.

**Wausau.** Used to fill financing gap on a couple of multi-family low-income housing tax credit projects. Also, city has several vacant lots it owns and is seeking builders to construct affordable owner occupied single-family homes and TID extension dollars will be used to help make the homes financially feasible for the developer while remaining affordable to purchasers.

- <sup>i</sup>Forward Analytics, *A Housing Hurdle: Demographics Drive Need for More Homes*; January 2023.
- <sup>ii</sup>Wis. Stat. § 66.1105(6)(g)
- <sup>iii</sup>List of communities that used the TID Affordable Housing Extension between 2010 -2023. Source: Wisconsin Department of Revenue - <https://www.lwm-info.org/DocumentCenter/View/9429/HousingExtensions-2010-Dec2023-For-website?bidId=>
- <sup>iv</sup>Wis. Stat. § 66.1105(6)(g)2
- <sup>v</sup>Wis. Stat. § 66.1105(6)(g)3
- <sup>vi</sup>Ibid.
- <sup>vii</sup>Wis. Stat. § 66.1105(2)(ab)
- <sup>viii</sup>Wis. Stat. § 66.1105(2)(bq)
- <sup>ix</sup>This list comes from a slide deck prepared by Jon Cameron, Ehlers, for a presentation on *Utilizing Wisconsin's Affordable Housing TID Extension* given at the September 12, 2024, APA-WI conference.
- <sup>x</sup>See Wis. Stat. §§ 234.66(1)(g)3, 234.661(c)6, and 234.662(1)(e)4.
- <sup>xi</sup><https://www.wheda.com/about-wheda/legislative-priorities/bipartisan-housing-legislation-package-faqs>
- <sup>xii</sup>For more information about these low interest loan programs for workforce and senior housing projects see WHEDA's website: <https://www.wheda.com/about-wheda/legislative-priorities/bipartisan-housing-legislation-package>
- <sup>xiii</sup>This list comes from a slide deck prepared by Jon Cameron, Ehlers, for a presentation on *Utilizing Wisconsin's Affordable Housing TID Extension* given at the September 12, 2024, APA-WI conference.
- <sup>xiv</sup>Source: Slide deck for presentation on *Using TIF Extension Funds to Support Affordable and Workforce Housing*, Dane County Regional Housing Network meeting, June 13, 2024.
- <sup>xv</sup>Ibid.
- <sup>xvi</sup>Ibid.