

# DEPARTMENT OF CITY DEVELOPMENT TAX INCREMENTAL FINANCING FOR HOUSING DEVELOPMENT GUIDELINES

## INTRODUCTION

Ensuring the availability of sufficient housing affordable to Milwaukee residents is crucial to our success as a city. Housing is a foundational element of people's lives, and it is vital that Milwaukee has sufficient housing stock for current residents and potential new workers who can attract commercial investment.

The following guidelines for Tax Incremental Financing (TIF) and the creation or amendment of a Tax Incremental District (TID), are not a guarantee of project approval. With respect to all proposed projects, City will monitor interest rates, construction costs, vacancy rates, displacement metrics, rents, and other market conditions, and may adjust these guidelines as needed. Selected projects must follow Wisconsin Statutes and Milwaukee Code of Ordinances requirements, including approval by the Milwaukee Common Council.

## GENERAL HOUSING PROJECT GUIDELINES

### Priorities

- Projects that involve the reuse of land, or buildings owned by the City, the Redevelopment Authority of the City of Milwaukee (RACM), or Milwaukee Public Schools (MPS).
- Projects that support an existing, or planned redevelopment initiative that represents a priority for the City (e.g., projects identified as catalytic in a neighborhood plan, or City/neighborhood sponsored design charrette; projects located in, or nearby a major City neighborhood initiative, or investment).

### Project Considerations

- Developers must demonstrate that the project would not be economically viable without the City's assistance.
- Developers must demonstrate they have leveraged other financing sources to help fill any apparent project financing gap, including other non-City grants or loans, below market rate financing, contribution of deferred development fee, WHEDA, HUD, etc.
- Project design must be consistent with the City's principles of urban design and materials.
- Projects must comply with Milwaukee Code of Ordinances Chapter 355 in regard to Small Business Enterprise participation and Resident Preference Program requirements.
- Developers shall consult with the local Common Council member and neighborhood-based organizations during the project planning stage.

## **DEPARTMENT OF CITY DEVELOPMENT TAX INCREMENTAL FINANCING FOR HOUSING DEVELOPMENT GUIDELINES**

- Projects including mentor/protégé relationships, interns, emerging developer partnerships and related components are encouraged.
- Projects should be developer-financed, i.e., “pay as you go,” with TIF provided through the creation of a new TID.

### Additional Guidelines

- Minimum application fees will be required to cover third party underwriting consultant, 3<sup>rd</sup> party reports and DCD administrative costs. Current fee: \$20,000 workforce & commercial / \$10,000 affordable.
- An annual TIF administrative fee will be rolled into the TID. Current annual fee: \$10,000 workforce & commercial / \$7,500 affordable.
- Purchase price will be evaluated against fair market value during underwriting.
- Project cost and returns need to be within industry standards.
- Developers will be required to submit rent and income data and/or affidavit swearing to review of income for all rent restricted units on an annual basis.
- Any proposal at a location with an existing residential property shall develop a plan to avoid involuntarily displacement of existing residents of the property.

### **AFFORDABLE HOUSING PROJECT GUIDELINES**

Projects with an affordable housing component (units priced affordably for those earning 60% of the Area Median Income [AMI] or lower) that involve development of housing units, via new construction or rehabilitation, that are requesting [TIF](#) assistance are evaluated by the [Department of City Development \(DCD\)](#) based on the following criteria and guidelines, which are aligned with metrics specified by the United States Department of Housing and Urban Development (HUD) and Wisconsin Housing and Economic Development Authority (WHEDA) as of the date of these guidelines to ensure maximum effectiveness.

### Priorities

- Projects located in neighborhoods identified as at risk for displacement
- Projects located in the downtown neighborhood
- Projects located in neighborhoods where there is currently a lack of affordable housing opportunities

## DEPARTMENT OF CITY DEVELOPMENT TAX INCREMENTAL FINANCING FOR HOUSING DEVELOPMENT GUIDELINES

### Project Considerations

- The project should not adversely compete with existing affordable housing projects.
- TIF should be developer-financed, i.e., “pay as you go,” with the ability to recover TID costs in no more than 15 years for downtown projects and no more than 20 years for projects outside of the downtown.
- Projects should be located in close proximity to public transit.
- For transit-oriented development projects (i.e., projects located within 3 blocks of the Milwaukee Streetcar route or planned extensions, a proposed Bus Rapid Transit route, or an existing Express Bus Route), the term of a TID may be extended up to 2 additional years.
- At least 20% of the units in the project must be affordable to households with income less than or equal to 60% of AMI, with a minimum of 20 affordable units. At least 25% of the affordable units in the project must be affordable to households with incomes less than or equal to 50% of AMI. Units must be affordable for a minimum period of 15 years from the date of initial occupancy, or the term of the TID, whichever is longer.
- TID funds will be used exclusively to provide gap funds for the affordable units in the project.
- For projects outside of downtown, no more than 25% of affordable units should be studio, or one-bedroom units, unless the project is a supportive and/or elderly housing development, or demand for one-bedroom units at the location of the development is supported by a developer funded market study.
- Projects in eligible zip codes shall comply with Anti-Displacement Neighborhood Preference Policy guidelines.

### Special Considerations for Downtown Projects

The term for an affordable housing TID may be extended up to 20 years for downtown projects, if the project contains one or more of the following elements:

- Affordable Unit Mix: If at least 25% of the total affordable units in the development are two-bedroom units or larger, the term of the TID may be extended for up to additional 2 years.
- Lower AMI: If at least 50% of affordable units are set-aside for households with incomes less than or equal to 50% of AMI, the term of the TID may be extended up to two additional years.
- Green Infrastructure: If the project includes a green roof or solar array, the term of the TID may be extended up to one additional year for each improvement.

## DEPARTMENT OF CITY DEVELOPMENT TAX INCREMENTAL FINANCING FOR HOUSING DEVELOPMENT GUIDELINES

- Historic: If a historic building with Historic Preservation Commission (HPC) approval of rehabilitation plan, the term of the TID may be extended up to two additional years.
- Streetscaping and Traffic Calming: If the project budget includes paying for public streetscape improvements, traffic calming or other public improvements, the maximum term of the TID may be extended up to two additional years.

### Special Considerations for Owner-Occupied Projects

The length of tax incremental districts created to support the development of owner-occupied housing may be extended for additional years if required to ensure project feasibility, and within the extent allowable by State law.

### WORKFORCE HOUSING PROJECT GUIDELINES

City financial assistance is also available to support the creation of needed new housing units to expand housing choice, affordability, and availability for households at 60%-100% of the Area Median Income (“workforce housing”). Financial support for projects will be considered based on the following criteria and requirements that will include returns and financing within the current market conditions (all TIDs to be negotiated based on evidence-based project needs).

### Priorities

- Conversion of obsolete commercial, or industrial buildings into residential properties in the downtown area
- Advancing [Connect+ing MKE Downtown Plan 2040](#) goals to add 15,000 new housing units and provide housing choice for all income levels downtown
- Projects located in neighborhoods where there is currently a lack of available housing opportunities attainable to individuals earning 60%-100% AMI
- Projects that unbundle residents’ cost of renting a parking spot from their base rent
- Projects with 10% of parking spaces Electric Vehicle (EV) Ready and 2% EV charging stations installed
- Projects that provide outdoor space for residents, particularly if not within 1/3 mile of a public park, recreational trail, or the Milwaukee Riverwalk System
- Projects of at least 50 units
- Density of at least 150 units per acre for new construction in the downtown area
- Availability of varied housing types and affordability throughout the City

**DEPARTMENT OF CITY DEVELOPMENT TAX INCREMENTAL FINANCING FOR HOUSING DEVELOPMENT  
GUIDELINES**

Project Considerations

- Rents should be restricted via a Land Use Restriction Agreement (LURA) or related document to an average of 60%-100% AMI for a minimum of 20 years or the life of the TID, whichever is longer.
- Development agreement will contain terms related to City participation in project savings and residual profits in the case of refinance or sale during the TIF period.
- TIF amount will be sized based on an analysis of the amount necessary to achieve expected financing and market returns.
- Term
  - City funding provided in the form of an annual monetary obligation of up to 20 years plus interest.
  - Monetary obligation period may be extended if project includes units aimed at a lower AMI %, owner-occupied units, environmental remediation, sustainable features, historic preservation or other elements beneficial to Milwaukee residents.
  - Length of TID will be dependent on the percentage of units rent-restricted to 100% AMI or less. See the baseline ranges below:
    - Six (6) Years - A minimum of 20% of total units are affordable to households with an average AMI less than or equal to 100%, with a minimum of 20 affordable units
    - Ten (10) Years - A minimum of 40% of total units are affordable to households with an average AMI less than or equal to 100%, with a minimum of 20 affordable units
    - Fourteen (14) Years - A minimum of 60% of total units are affordable to households with an average AMI less than or equal to 100%, with a minimum of 20 affordable units
    - Sixteen (16) Years - A minimum of 80% of total units are affordable to households with an average AMI less than or equal to 100%, with a minimum of 40 affordable units
    - Twenty (20) Years- 100% of total units are affordable to households with an AMI less than or equal to 100%, with a minimum of 40 affordable units and/or project is located within 3 blocks of [The Hop](#) streetcar route or planned extensions, a proposed Bus Rapid Transit route, or an existing Express Bus Route
  - The ranges above may be extended if necessary to make a project financially viable and the project yields additional benefits to the City and/or community, whether the development proposes to restrict a percentage of units to a lower AMI %, owner-occupied units, more favorable profit participation, public utilization of space or provision of other public amenities, greater SBE or RPP inclusion, workforce development assistance or related commitments, historic preservation, green infrastructure, traffic calming, specific geographic placement, and/or other publicly beneficial obligations.

## **DEPARTMENT OF CITY DEVELOPMENT TAX INCREMENTAL FINANCING FOR HOUSING DEVELOPMENT GUIDELINES**

- Cash Developer Fee paid at permanent financing conversion, or sooner, shall be no greater than 4% (this may exclude deferred Developer Fees).

### **COMMERCIAL CONVERSIONS TO HOUSING PROJECT GUIDELINES**

Projects requesting TID assistance involving the adaptive reuse of commercial buildings for housing shall be evaluated on the following criteria:

#### Priorities

- Projects that involve the reuse of large commercial buildings which are at least 50% vacant (based on leasable square footage) and/or are at risk of becoming vacant without a significant investment.
- Projects located in neighborhoods, or building types identified as at risk for disinvestment due to vacancy and other market factors, or locations identified in neighborhood plans as catalytic or priority project sites.
- Projects located in neighborhoods with a lack of housing opportunities.
- Projects should be located near public transit.

#### Project Considerations

- TIF amount will be sized based on an analysis of the amount necessary to achieve expected financing and market returns.
- City funding provided in the form of an annual monetary obligation of up to 20 years for the monetary obligation plus interest.
- Monetary obligation period may be extended if project includes units aimed at lower AMI %, owner-occupied units, environmental remediation, sustainable features, historic preservation or other elements beneficial to Milwaukee residents.
- Projects are encouraged to include units with affordable or workforce rents and the proposed unit mix will be evaluated during underwriting and financial feasibility analysis.
- Cash Developer Fee paid at permanent financing conversion, or sooner, shall be no greater than 4% (this may exclude deferred Developer Fees).
- If located in a Business Improvement District (BID), in recognition of the services they provide to residents, projects should agree to make an annual payment to the BID(s) to support those services.