WTiF

Investing in Infrastructure;
Investing in Affordable Housing

Kelly Rider, HDC

Overview

- What Is Affordable Housing?
- Impacts of Infrastructure Investments
- Recommendations

Growth Management Act
(RCW 36.70A)

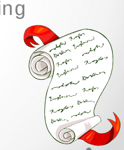
Local comprehensive plans must include a **Housing Element** that:

- (a) includes an **inventory and analysis** of existing and projected housing needs;
- (b) includes a statement of **goals, policies, objectives, and mandatory provisions** for the preservation, improvement, and development of housing;
- (c) **identifies sufficient land** for housing; and
- (d) **makes adequate provisions for existing and projected needs of all economic segments of the community.**

Growth Management Act
(RCW 36.70A)

Housing Goal to:

"...encourage the availability of **affordable housing to all economic segments** of the population of this state, promote a variety of residential densities and housing types, and encourage preservation of existing housing stock."



What Is Affordable Housing?

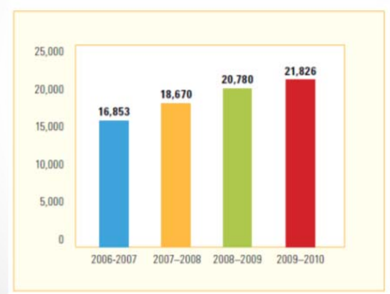
What is considered "affordable?"

Housing is "affordable" when a household is paying less than or equal to 30% of their income for housing costs.

- Approximately 50% of WA renters are paying more than they can afford for housing costs.
- Over 130,000 extremely low-income households are paying more than 50% of their income for housing, but earning only $19,000 a year.

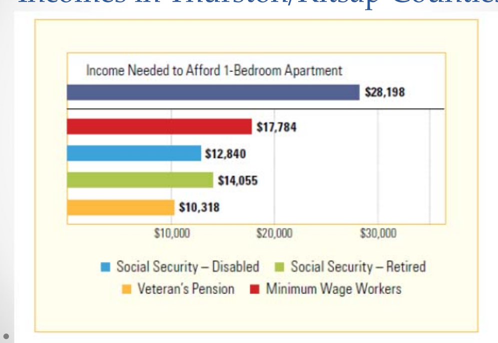
Homelessness

- More than 26,000 Washington school children identify as homeless.



Disparity Between Housing Costs & Incomes in King County

Disparity Between Housing Costs & Incomes in Thurston/Kitsap Counties

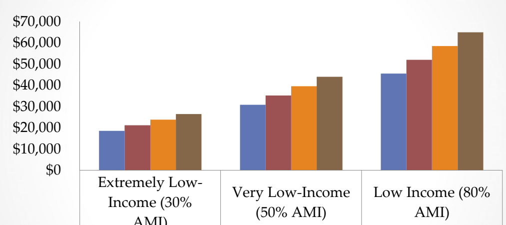


Affordable Housing

- HDC Members work to build "Affordable Housing," which is affordable for lower income households who cannot afford market rate housing.
- **Area Median Income (AMI):** Median annual household income for an area, adjusted by household size to determine affordable housing costs

HOUSING DEVELOPMENT consortium

AMI for Seattle-Bellevue Metro Area



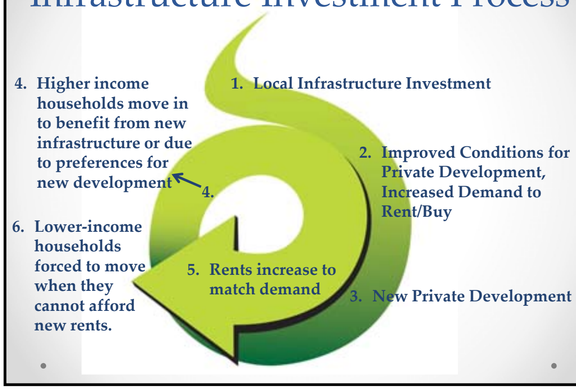
	Extremely Low-Income (30% AMI)	Very Low-Income (50% AMI)	Low Income (80% AMI)
1 Person	$18,500	$30,800	$45,500
2 Person	$21,150	$35,200	$52,000
3 Person	$23,800	$39,600	$58,500
4 Person	$26,400	$44,000	$65,000

Affordable Housing & Investments in Infrastructure

Creating Inclusive, Equitable Transit Communities

"Mixed-Use, transit-served neighborhoods that provide housing and transportation choices and greater social and economic opportunity for current and future residents."

Infrastructure Investment Process



Recommendations

Affordable Housing & Equity Network Principles

1. A minority percentage of revenue be set aside for affordable housing rehabilitation, financing, and development costs within the TIF District.
2. A portion of all new residential units in the boundaries of the district be affordable to low-income households.
3. Displacement of affordable housing units, and small businesses, be mitigated.
4. Encourage the use of innovative, fair and equitable labor practices.

Affordable Housing Proposals

- ❖ **25% of revenues** be spent on affordable* housing rehabilitation, financing, and development
- ❖ **1 for 1 replacement** of demolished units affordable* to lower-income households
- ❖ **20% of housing units** in the district be affordable*

*Affordable at: 50% AMI for rental units,
80% AMI for ownership units

Examples from Other States

Jurisdiction	% Revenue for Affordable Housing	Affordability Standard	Affordable Housing Requirement	Affordability Standard for Requirement
California	20%	50%, 80%, 120% AMI	15% of units	120% AMI (40% @ 50% AMI)
Maine	100%	120% AMI	33% of units	120% AMI
Atlanta	20%	Rental: 60% AMI H/O: 115% AMI	20% of units	80% AMI
Dallas	10 – 20%	80% AMI	20% of units	80% AMI
Portland	30%	Rental: 30%, 60% AMI H/O: 80%, 100% AMI		

References

- Washington Department of Commerce, Washington State Housing Finance Commission, and Washington Low Income Housing Alliance "Bringing Washington Home: 2011 Affordable Housing Report," 2011, http://www.wliha.org/sites/default/files/Bringing%20WA%20Home%202011.pdf
- State of Washington Office of Superintendent of Public Instruction, "Homeless Education," http://www.k12.wa.us/HomelessEd/Resources.aspx.
- U.S. Department of Housing & Urban Development, "FY 2012 Income Limits Summary," huduser.org, http://www.huduser.org/portal/datasets/il/il2012/2012summary.odn

Questions?

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WTiF?
A city perspective on catalyzing transit oriented development

American Planning Association Washington Chapter
State Conference – October 11, 2011

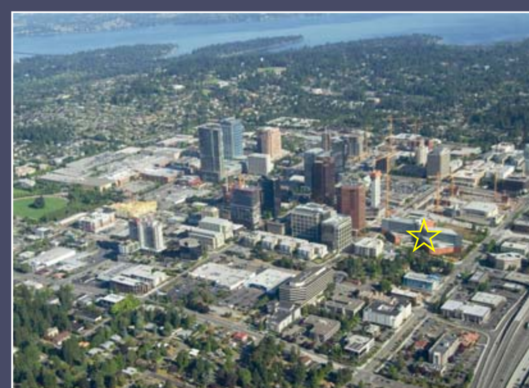
Paul Inghram, AICP, Comprehensive Planning Manager
City of Bellevue

Presentation Overview

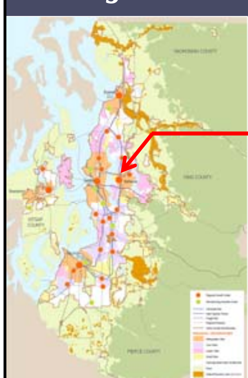
- Background on Bellevue
- The Bel-Red plan
- Capturing value for TOD
- TIF-style tools
- Challenges

Downtown Bellevue 1975

Downtown Bellevue



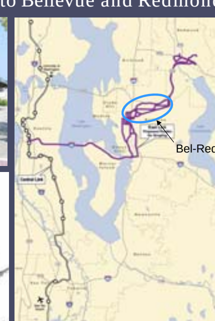
Regional Context: Vision 2040



- Bellevue is one of five metropolitan centers in the Seattle/Puget Sound region
- Regional goal: Use urban area efficiently, and integrate land use and transportation planning

Regional Transit Investment

$18 billion voter approved investment to expand light rail, including connections to Bellevue and Redmond



Bel-Red Subarea Plan

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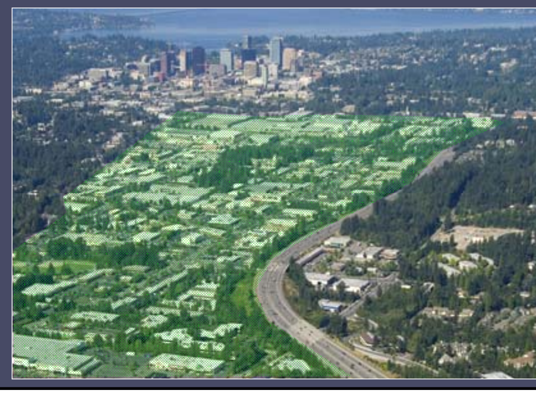
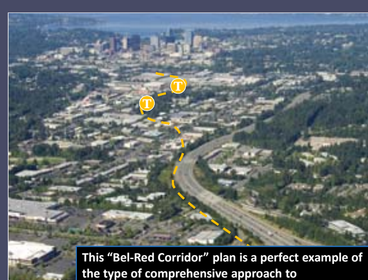
Bel-Red Corridor
View West Toward Downtown



Bel-Red Vision

- Transformation of an aging light industrial and commercial area
- A leading model for growth management and sustainable development
- Integration of land use and transportation planning
- Leveraging of regional light rail investment
- Efficient use of urban land



This "Bel-Red Corridor" plan is a perfect example of the type of comprehensive approach to sustainable, environmentally-conscious development we are trying to encourage with the Sustainable Communities initiative. A plan that melds housing, transportation and investments—to support economic growth and job creation.

Senator Patty Murray, Transportation, Housing and Urban Development, and Related Agencies Subcommittee opening remarks, May 6, 2010

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Transit-oriented Communities

- 3 year community planning process
- Zoning supports higher density, mixed use development focused at transit stations

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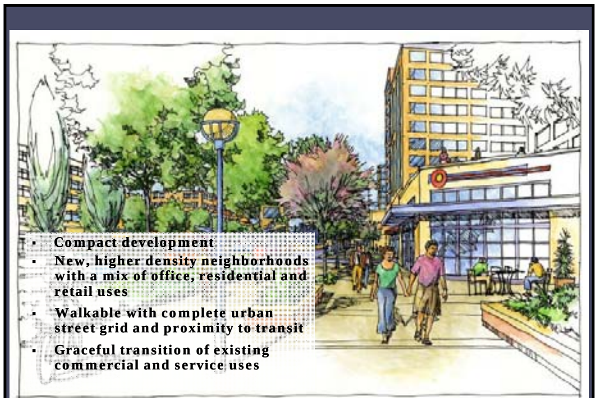
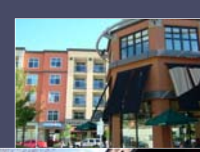


- Compact development
- New, higher density neighborhoods with a mix of office, residential and retail uses
- Walkable with complete urban street grid and proximity to transit
- Graceful transition of existing commercial and service uses

Housing Choice and Affordability

- New residential neighborhoods, allowing for growth in the right place
- Workforce housing located near jobs and transit
- A range of housing types
- Adopted targets for housing affordability
- Tiered incentive system puts priority on affordable housing, parks, streams and TDR program



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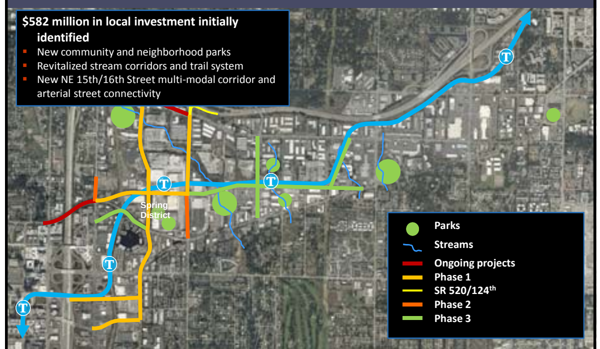
Bel-Red Market Forecast

Between now and 2030:

- 4.5 million sq. ft. commercial (10,000 new jobs)
- 5,000 housing units (9,500 new residents)

Implementation



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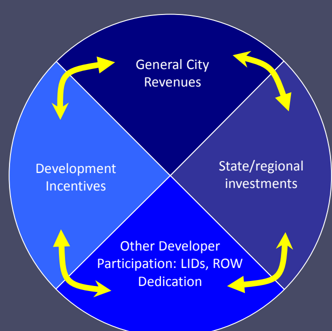
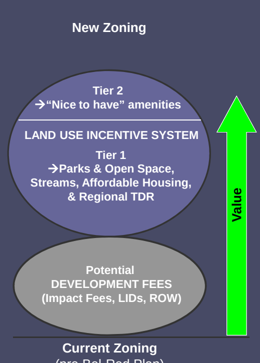
Funding Strategy



Investment Strategy

- Developer contributions:
  - Transportation impact fees
  - Local improvement districts (LID)
  - Dedication of ROW in some circumstances
  - Incentive zoning system
- Other City investments:
  - General CIP funds (increase in property tax rate)
  - Share of growth in tax revenue
  - Storm drainage fees
- Other revenue sources:
  - Grants
  - ROW sellback

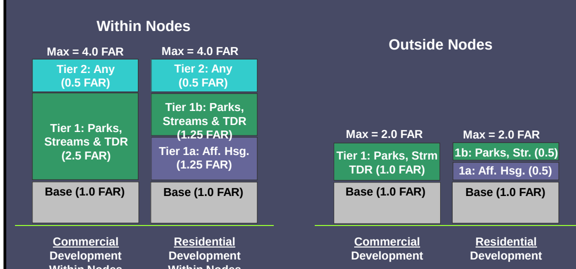
Incentive System Framework



Lift in Land Value

The zoning lift has the potential to support the public infrastructure and amenities needed to transform the Bel-Red area.

Incentive System Tiers



Example of Large Residential Development

Example Residential Site
- 100,000 sq. ft. site (2.3 acres)
- About 1 Bel-Red block (320' by 320')
- 4.0 FAR (max. within nodes)
- Two or three buildings

Development Totals
- 432 total units: 400 market units, 32 affordable rental units (about 7.5% of total units)
- 5,154 sq. ft. public recreation area
- Maximized 4.0 FAR, with affordable housing FAR *exempt*
- $1.9M contribution for stream enhancements

Tier 2: Any (0.5 FAR)
- 100,000 x 0.5 = potential 50,000 sq. ft. bonus (~50 market units)
- 50,000 potential bonus / 9.7 bonus rate = 5,154 sq. ft. recreation area

Tier 1b: Parks/OS, Streams & TDR (1.25 FAR)
- 100,000 x 1.25 = potential 125,000 sq. ft. bonus (~125 market units)
- 125,000 potential bonus x $15 per sq. ft. = $1.9M for stream enhancements, or could be parks/open space

Tier 1a: Affordable Housing (1.25 FAR)
- 100,000 x 1.25 = potential 125,000 sq. ft. bonus (~125 market units)
- 125,000 potential bonus / 4.6 bonus rate = 27,173 SF affordable rental (~32 units), (w/ affordable *exempt* from FAR calculation)

Base (1.0 FAR)
- 100,000 x 1.0 = 100,000 sq. ft. as-of-right (~100 market units)

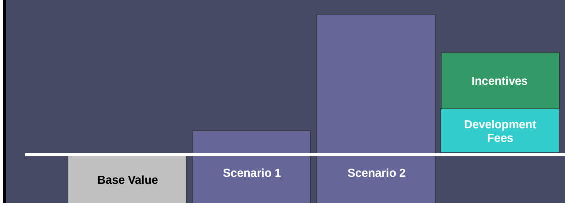
Residential Development Within Node

Capturing value for TOD

Catalyzing development

- City investments can:
  - Reduce private development costs, such as by reducing the need for street improvements
  - Provide greater investment assurance
  - Increase value in development – by enhancing access, providing amenities, etc.
  - Demonstrate new forms development
  - Bring residents/shoppers to the area

Residual value calculation



Traditional financing tools

- (General fund revenue)
- Development requirements
- Impact fees
- Local improvement districts (LIDs)
- SEPA mitigation

Land use incentive systems

- Additional height, density or use allowances based on contribution to an incentive system (i.e. value to the developer)
- Incentive system requires site/building improvements, affordable housing or other (i.e. a cost to the developer)

Chicken?

Or egg?

Timing

- If local investments are to catalyze development, funding for public improvements are needed early in TOD stage

- Most funding source are tied to development – so revenue accumulates as or after development occurs
- <u>Cities can bond against predictable revenue sources</u>

Who pays?

- Development fees, such as permit fees, incentives and impact fees are generally born by the developer at the time of building permit
- Taxes and LID assessments are paid over time by the property owner, which may change after the development is completed

TIF-style tools

TIF-style tools

- Two general aspects:
  - Captures new revenue – increment associated with new development
  - Diverts revenue – revenue that would have been allocated to other taxing districts
- Limited by state law
- Ad valorem system of collecting property taxes

TIF-style tools

LRF
- Local capture of new property and sales taxes
- State sales tax contribution

LCLIP (only one currently available)
- Capture of local and county new property taxes
- Requires participation in TDR program
  - Costs of buying TDR credits
  - Lack of predictability of TDR market

CRFA
- New excess levy

Property owner participation

- Parcels that redevelop benefit from investments – may be more supportive of taxes/fees and the improvements that they fund
- Parcels that don't redevelop are often content with the status quo
- Always a preference for others to pay

Scale

- Amount of development determines potential revenue
- Needs to be large enough to generate a meaningful amount
- Larger the scale, the greater the demand for investments

Choosing a mix of tools

- Complexity
- Overlap with other fees, incentives
- Competition for revenue (e.g. MFTE)
  - Proforma needs to calculate net value inclusive of all tools and fees (e.g. parking)
- Predictability of revenue
- Restrictions on local revenue
- Doesn't pay 100%

Thank You!
Questions?

For More Information:

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WTiF?

The Future of TIF in Washington

APA Washington Conference
October 11, 2012

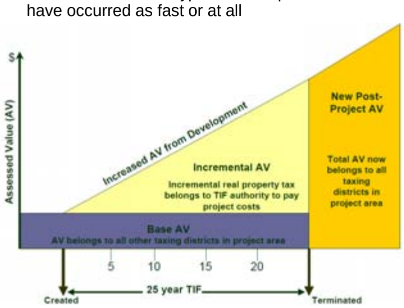
Puget Sound Regional Council
PSRC

Presentation Overview

- TIF 101
- Growing Transit Communities
- Bell-Red Corridor Case Study
- Affordable Housing
- Principles & Strategies

Tax Increment Financing (TIF)

TIF represents a commitment by state and local governments to a vision for economic development. Government is willing to pledge future benefits to incentivize a certain type of development to occur that otherwise would not have occurred as fast or at all



How TIF Works:

1. Create a district
2. Set "base" revenues (AV)
3. Issue bonds & build infrastructure
4. Pay off the bond with revenues above base
5. When TIF expires all revenues return to all tax districts

TIF is Awesome!

Photos of Portland's Pearl District

Results of TIF in River District URA
- **New Development**
- **Streetcar**
- **Affordable Housing**
- **Restaurants, shops, nightlife**
- **Historic Preservation**
- **Parks**

History of TIF

- TIF started in California in 1952 to match federal urban renewal grant dollars in cleaning up slums and blight
- 1970s and 1980s brought TIF to more states spurred by anti-property tax measures like Prop 13 in California. Introduced the "but for test" to prevent TIF misuse
- Currently 48 States have TIF

Lessons Learned from Other States

1) Capturing state revenues puts development interests in conflict with schools and other public services and is unsustainable
2) Transparency of where the money is going is critical
3) Definitions of blight and "but for" test are too weak and can lead to growth outside urban areas
4) Set-aside of revenues for affordable housing produces a lot of affordable housing

Everyone else has TIF. WTiF?

5 Reasons Why Washington Cities Don't Have True TIF

1. Cannot divert State property tax revenues from schools
2. Property taxes are levied on a city's planned budget not on the value of property
3. Existing TIF-like tools require city to ask permission to divert other tax districts revenues
4. Existing TIF-like tools revenues are counted towards total City debt limit
5. Politically, TIF is viewed as a giveaway to developers

Successful Approaches to TIF in Washington

1) Ask local governments to allow city to divert revenues
   - Community Revitalization Financing (CRF) - 2001

2) Ask the State to match local incremental property and sales tax revenues (from State General Fund)
   - Local Infrastructure Financing Tool (LIFT) - 2006
   - Local Revitalization Financing (LRF) – 2009 & 2010

3) Make counties give up incremental revenues in return for city purchase of transferable development rights (TDRs)
   - Landscape Conservation and Local Infrastructure Programs (LCLIP) - 2011

A New Approach to TIF in Washington

4) Tax on the incremental growth of assessed property value in a district
   - Community Revitalization Financing Act (CRFA) of 2011

urce: sheltonmedia.blogspot.com

Local Improvement District CRFA

Growing Transit Communities Partnership

Three year effort funded by HUD's Partnership for Sustainable Communities

Implementation of central Puget Sound region's adopted integrated regional plans

Almost 40 partner agencies signed an MOU to help develop corridor action strategies

Growing Transit Communities Partnership

Equitable transit communities are mixed-use, transit-served neighborhoods that provide housing and transportation choices and greater social and economic opportunity for current and future residents. Although defined by the half-mile walking distances around high-capacity transit stations, they exist within the context of larger neighborhoods with existing residents and businesses.

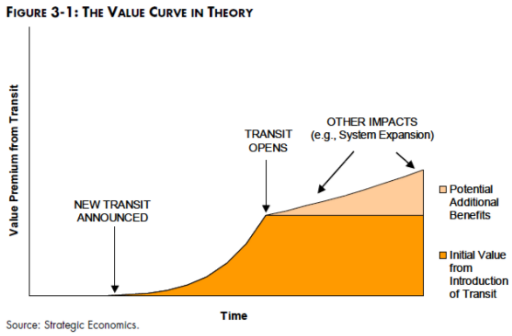
Goal of GTC's Value Capture Analysis

Develop TIF alternatives to provide infrastructure and affordable housing financing to create equitable transit communities.

Subcommittee Interests and Key Stakeholder Groups:

- Cities
- Developers
- Environmental Groups
- Affordable Housing - advocates, developers, and funders
- Equity Network – community organizations
- Bonding and Legal experts
- State legislators
- State Staff
- Realtors and Builders
- Organized Labor
- Economic Development
- Counties

Value Capture Financing



Why is a new value capture tool necessary?

- To capitalize on regional transit investments
- To implement plans and accommodate growth (GMA)
- To pay for costly infrastructure improvements
- Because Transit Oriented Development is in demand
- Because affordable housing is in demand (especially in transit station areas)
- Because a tool that incentivizes growth, but creates equitable growth for all income levels is desired

Principles for Legislation

ILLUSTRATION BY TIM PACIFIC, NEXT AMERICAN CITY

Puget Sound Regional Council
PSRC

Principles & Strategies about Revenues

#1 - Provide local governments with authority to use financing tool that enables partnering with private sector when opportunity presents itself.

#2 -The new tool will utilize a financing mechanism that provides maximum revenue potential.

Growing Transit Communities

Principles & Strategies about Expenditures of Revenues

#3 - The majority of the revenue produced by the tool will go to financing the physical infrastructure that is likely to increase private investment and employment within the value capture district.

#4 - A minority percentage of revenue will be setaside for affordable housing rehabilitation, financing, and development costs within the district.

#5 -This incentive will not be used for the purpose of relocating a business from areas within the State to the value capture district.

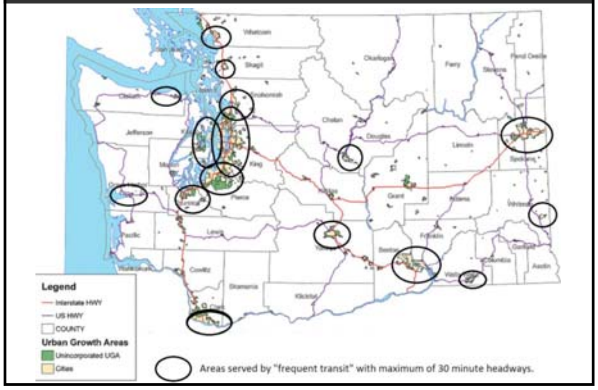
Principles about Affordable Housing & Social Equity

#6 - Jurisdictions using value capture tool will be required to set a target for a portion of all new residential units in the boundaries of the value capture district to meet affordability standards.

#7 -Displacement of affordable housing units and small businesses will be mitigated and assessed periodically.

#8 -Jurisdictions using the new financing tool will be encouraged to use innovative fair and equitable labor practices and required to meet existing requirements.

Principles & Strategies about Location & Growth Management



Principles & Strategies about Effectiveness

#11 - Regular reporting to the State Department of Commerce will ensure transparency and effectiveness.

Why now? What's different this time?

1. Special assessment method does not divert taxes from state or other taxing districts
2. Special assessment method allows taxes to be collected on property values
3. Improvements can be financed with revenues from district
4. Principles ensure that existing community and future low income households benefit from improvements
5. Need tool to capture the value of transit investments before opportunity passes

For More Information

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Project Websites
http://www.psrc.org/growth/growing-transit-communities
→ Affordable Housing Steering Committee
→ Value Capture Financing Subcommittee

Puget Sound Regional Council PSRC

Growing Transit Communities

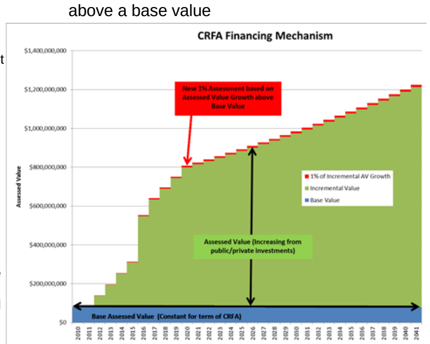
Principles & Strategies about Revenues

Special assessment of up to 1% of the incremental growth of assessed value above a base value

How?
Constitutional Amendment
- To enable special assessment

Legislation
- Eligible locations
- Eligible uses of revenue
- Social equity goals

Why?
- Place based – uses property taxes
- Sustainable - No State funds required
- High revenue potential



Value Capture Case Study Analysis

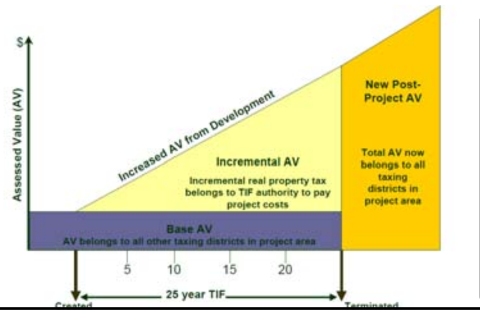
Location
- 130th Ave NE Planned Light Rail Station Area, Bellevue

Value Capture Tools Considered
- Local Revitalization Financing (LRF)
- Landscape Conservation and Local Infrastructure Program (LCLIP)
- Community Revitalization Financing Act of 2011 (CRFA)
- Traditional TIF

Findings
- CRFA has more revenue potential than TIF tools
- No tool pays for all the needs (i.e. infrastructure, affordable housing, open space)
- All tools can be modified to consider social equity and growth management goals

Everyone else has TIF. WTiF?

1. Can not divert State property tax revenues from schools



Everyone else has TIF. WTiF?

2. Property taxes are levied on city budgetary needs not on value of property and can only increase by 1% a year

Traditional TIF Example

	Property A	Property B	Property C	Property D
Base value of properties	$ 100,000	$ 100,000	$ 100,000	$ 100,000
Improvement	$ 3,000	$ 5,000	$ 3,440	$ 200
New value	$ 103,000	$ 105,000	$ 103,440	$ 100,200
Total increased value in district	$ 11,640			
Value available to tax for debt service	$ 11,640			

Everyone else has TIF. WTiF?

2. Property taxes are levied on city budgetary needs not on value of property and can only increase by 1% a year

Budget Based TIF Example

Previous city budget is $800	Tax rate $2 per $1000	Tax revenue is $800	New budget is $808
Available for debt service	**$ 808**		

Value Capture Tools considered by GTC

Local Revitalization Financing (LRF)

- Allows local governments to allocate up to 75% of incremental growth on local property and sales tax revenues within a district in order to receive a state contribution of up to $500,000 annually over 25 years

LRF Benefits	LRF Drawbacks
Could be modified to include affordable housing requirements	Provides lesser potential revenues than CRFA and Traditional TIF
Could be modified to prioritize use in transit station areas	No current provisions for affordable housing or TOD priority
Existing tool – passed by legislature	Currently not funded by the state
	Does not require land conservation (TDRs)

Value Capture Tools considered by GTC

Landscape Conservation and Local Infrastructure Program (LCLIP)

- Allows cities with population over 25,000 in in King, Pierce, and Snohomish Counties to capture up to 75% of the increment of city and county property taxes if at least 25% of the allocated regional transferable development rights (TDRs) are purchased.

LCLIP Benefits	LCLIP Drawbacks
Could be modified to include affordable housing requirements	Lowest potential revenue of all TIF tools considered
Could be modified to prioritize use in transit station areas	No current provisions for affordable housing or TOD priority
Existing tool – passed by legislature	Only available in central Puget Sound region
Requires land conservation (TDRs)	Cost of securing regionally allocated TDRs imposed on city and/or developer

Value Capture Tools considered by GTC

Community Revitalization Financing Act (CRFA) - As Proposed in 2011

- Would allow an excess levy on property owners within a district of up to 1% of the incremental growth of assessed value above a base value.

CRFA Benefits	CRFA Drawbacks
Not reliant on capturing other jurisdictions revenues	New tax on property owners in district.
Could be modified to include affordable housing requirements	No current provisions for affordable housing or TOD priority
Could be modified to prioritize use in transit station areas	Does not require land conservation (TDRs)
Provides largest revenue potential	Not existing or legal. Legislation and constitutional amendment are required.

Value Capture Tools considered by GTC

Traditional TIF – As Available in Other States

- Would allow local government to cap assessed values and any property tax revenues generated from increases to assessed value over the cap accrue to fund improvements in the district over 25-30 years.

Traditional TIF Benefits	Traditional TIF Drawbacks
Could include affordable housing, prioritization of transit station areas or TDR requirements	Not existing or legal. Legislation and constitutional amendment are required. This tool was specifically ruled unconstitutional.
Provides second largest revenue potential	

TIF Lessons Learned from Other Places

California

- 20% Affordable Housing Setaside produced a lot of affordable housing
- Requirement that 15% of all new housing affordable in TIF district helped to achieve right mix of rental and homeownership housing and equal size of units to market rate units
- Capturing State funds is not sustainable
- Transparency is necessary

Chicago

- Capturing State funds is not sustainable
- Transparency is necessary
- Displacement is evident without mitigation

Portland

- 30% Affordable Housing Setaside produced great deal of affordable housing
- Targeting funds for very low income housing