

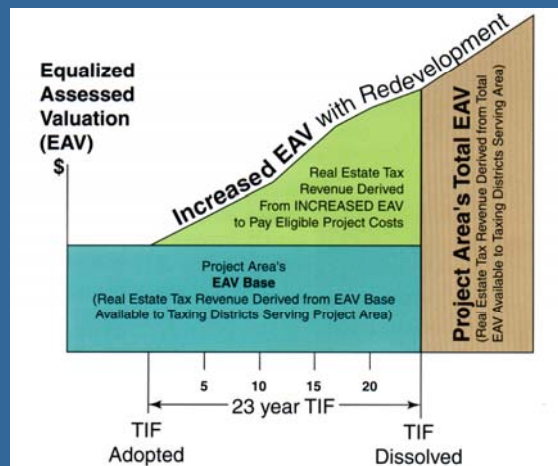
# TIF For Affordable Housing



Presented to  
Governor's Conference on Affordable Housing  
Stephen B. Friedman, President

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## How TIF Works



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## Eligibility Basics

- Blight, Conservation, or Vacant Land Factors
  - 13 Factors Such as Deterioration, Lack of Growth in EAV, Vacancy, Inadequate Utilities
  - Age plus 3 for Conservation
  - 5 Factors for Blight
- Lack of Growth Through Private Investment Test (But for...)

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## TIF For Housing

- Subsidize Costs 5% to 10 % With “Own” Increment
- Use With Other Housing Programs
- Use TIF-Wide Increment for Deeper Assistance
- Tool for Diversity
- Tool for “Average Worker” Housing
- Housing Affordable to Municipal Employees, Teachers, Police, Firefighters, Nurses, etc.
- Support Infill

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## TIF for Low Income Housing

- Affordable to Low and Very Low: Below 80% of Median
- Up to 50% of Costs (New); No Limit on Rehab Costs; No Limit on Site Assembly Costs
- Up to 75% of Redeveloper's Interest
- Initial Occupancy and Re-Occupancy by Eligible Households
- Recapture or Sale Restrictions for Life of Assistance or Life of TIF (Whichever Longer)

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## TIF for Moderate Income Housing

- Land Write-down
- Site Preparation
- Environmental Remediation
- Supportive Infrastructure to Site
- Rehabilitation
- 30% of Redeveloper's Interest

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## What Kinds of Housing?

- New Rental
- New Condominiums
- Single-Family/TH For-Sale
- Rehabilitation (Long Used)
- Infill



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## Example: Financing Layer

- Layer or Increased Mortgage (Archer Courts and Bryn Mawr-Belle Shore; Others in Process)
- FHA, FNMA, FNMC
- Two Amortization Schedules
- In-Pin
- Out-of-Pin
- Porting
- District Balances for Upfront if Available



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## Archer Courts: Layered Financing

- Developer: Chicago Community Development Corporation
- 147 Unit Rehab; Base Taxes \$ 0
- Tax Credits and Section 8
- Total Cost \$11.5 million
- 1<sup>st</sup> Mortgage FHA 221 (d) (4); \$1 m of which is TIF; \$3.5 m from cash flow
- Rest “Soft Money” and Tax Credit Equity

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## Redeveloper's Interest

- Hearts United and Montclair Sr. Residences Projects
- 30% to 75% of Redeveloper's Interest Reimbursed Annually
- Provided for by Redevelopment Agreement (RDA)

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## Land Acquisition for Moderate Income Housing



- Sunset Woods, Highland Park, Schiller Park Project, Belle Plaine Commons: “Free” or Reduced Land Cost
- TIF to Purchase Land

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## Land Acquisition for Moderate Income Housing, Cont'd

- TIF Law Income Limits Do Not Apply (i.e., Can Serve People With Incomes Above 80% of AMI)
- Locality Can Set Moderate Income Standards to Comply With Local Policy; Affordable Housing Act (e.g., 100% or 120% of AMI for Owner-Occupied Housing)
- TIF Funds Lump Sum or District-wide Note
- Typically Fund Upon Completion or Other Benchmark
- Developer Supports Interim Funding/Construction Loan

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## Mixed Income: Cross-Subsidy



- Mixed-Income Project: Some Market-Rate; Some Affordable
- Can Be Part of % Affordable Policy or Req. for TIF Assistance
- Level of Affordability Can Be Local Choice
- Require Certain Percentage

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## Cross-Subsidy

- Underwrite Economics/Industry Norm Profits
- Use TIF For Balance For Land Cost, Redeveloper's Interest or Direct Housing Cost, if Under 80% Threshold

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## TIF-NIF: Pool Based on Increment

- Rehab, but could be used for new
- Matching grant to resident owners of 1 to 4 unit buildings and landlords of 5 and above
- 8 banks; backed by projected increment with some guarantees from LISC
- Administered by NHS and CIC

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## Creating Up-Front Funding

- TIF Funds Available Over Time
- In-Pin and Out-of-Pin Increment
- District Balances
- Options for Making Available to Project
  - Developer Notes
  - Special Revenue Bonds
  - General Obligation Bonds
  - Trust and Foundation Guarantees
  - Layered Financing/TIF Mortgage

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## Summary of Options

- Land Acquisition
- Layered Financing
- Interest Subsidy
- Cross-Subsidy/Market Deals
- Lender Pool
- Complex, but doable for rehab, infill, rental and owner



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