

Fiscal Estimate Narratives
DOA 2/20/2020

LRB Number	19-4317/3	Introduction Number	AB-0859	Estimate Type	Original
Description making changes related to mixed-use tax incremental financing districts, increasing the amount of time a city or village may extend the life of a tax incremental district to improve its affordable and workforce housing, allowing a reduction in the amount of certain impact fees, and authorizing local units of government to implement workforce housing initiatives					

Assumptions Used in Arriving at Fiscal Estimate

2019 Assembly Bill 859 (Bill) relates to the promotion of workforce housing initiatives to political subdivisions and would effect changes to tax increment law.

The Bill would add workforce housing to types of land developments that may be exempt from or be assessed a reduced impact fee. Political subdivisions are prohibited from redistributing exempt or reduced costs to other developments, and the Bill would extend this prohibition to workforce housing exemptions and reductions as well.

The Bill defines workforce housing as the following: 1) the housing costs of the household are no more than 30 percent of the household's gross median income; and 2) the units are for initial occupancy by individuals who household median income is no more than 120 percent of the county's gross median income—both as adjusted for family size and based on the county's 5-year average median income and housing costs calculated by the U.S. bureau of the census.

The Bill enables political subdivisions to implement eleven potential workforce housing initiatives by ordinance, resolution, or policy. A political subdivision may effect more than one of the eleven workforce housing initiatives, and after June 30, 2021, if they have at least three initiatives simultaneously effected, the Bill requires the Department of Administration (DOA), the Wisconsin Housing and Economic Development Authority (WHEDA) and the Wisconsin Economic Development Corporation (WEDC), to give priority to housing applications from, or related to, a project in the political subdivision.

A workforce housing initiative is considered in effect once the political subdivision submits a written explanation of how the action complies with the workforce housing initiative and posts the explanation to its website. Once effected, it remains in effect for five years.

In DOA, housing grants, defined under the Bill as any grant that relates to housing, are administered by the Division of Energy, Housing and Community Resources (DEHCR). It is anticipated that DEHCR would be responsible for collecting and reviewing, upon receipt, written explanations of how actions of the political subdivision comply with one of the eleven enumerated workforce housing initiatives. DEHCR would require rule-making authority to prescribe the format and content of the written explanation provided to DOA for a workforce housing initiative to become effective. DEHCR would also need to develop a database into which it could record and maintain on a contemporary basis the workforce housing initiatives of political subdivisions and associated effective dates of the initiatives in order to determine whether a political subdivision is entitled to priority in its housing grants under the Bill and report the status when requested.

The bill does not mandate a minimum nor limit the maximum number of the eleven potential workforce housing initiatives a political subdivision may effect; however, priority in housing grant applications must be given after June 30, 2021, to those having at least three workforce housing initiatives in effect. Assuming an average of one hour to review and record in a database each action, if each of the 1,852 cities, villages, and towns in the state of Wisconsin were to provide written notice of three initiatives for a total of over 5,500 actions, DECHR would incur approximately 5,500 hours of new workload associated with the Bill, whereas if one-third of the 1,852 cities, villages, and towns in the state of Wisconsin were to provide written notice of three initiatives, DECHR would incur approximately 1,800 hours of new workload.

As previously noted, the Bill requires that priority is given to housing applications from or related to certain political subdivisions but does not define priority. DEHCR would be required to promulgate rules to define how priority in housing applications would be given to political subdivisions having in effect three or more workforce housing initiatives. The prioritization requirement would necessitate a one-time workload associated with the revision of application documents and processes for DEHCR housing grants.

DOA estimates that DEHCR would require emergency rule making authority and a 1.0 FTE GPR Program and Policy Analyst-Adv position under s. 20.505 (7)(a), Wis. Stats., to administer the workload associated with the Bill. Utilizing the Department's average hourly salary for the classification, the state fiscal impact for the annual salary, fringe and personnel variable supplies and services costs of the position are estimated at \$100,600 GPR, and one-time costs of \$3,000 GPR also estimated. One-time costs associated with DEHCR's and the Department's Division of Legal Services (DLS) staff time for rule promulgation is anticipated to be absorbed within existing resources.

The bill also amends tax increment law. It replaces language regarding "affordable housing" with "workforce housing" and applies the definition thereof stated above and modifies the requirements for a development to be considered mixed-use to include considerations for workforce housing. The length of time by which a political subdivision may extend the life of a tax increment district is also increased from one to three years. Additionally, some of the prerequisites to extend are amended. The first requirement that the political subdivision must specify how it will use the extended tax increment to "improve housing stock" is changed to "increas[ing] the number of affordable and workforce housing units". Secondly, the requirement that at least 75 percent of extended increment must go to benefit affordable housing stock is amended to state that the subdivision "shall use the increments received to increase the number of the city's affordable and workforce housing units." DOA is not responsible for administration or enforcement of tax increment law and provides no estimate of the state fiscal effect of the Bill as it relates to those provisions.

Relating to workforce housing, the fiscal impact to political subdivisions is largely permissive and indeterminate as the bill does not mandate such initiatives. However, the bill does require political subdivisions to provide alternative projections of the district's finances and economic feasibility under different economic scenarios, of which several specific scenarios are defined in the bill, to the local legislative body when proposing any tax increment project plan. It furthermore specifies that such project plans may only be approved with a majority vote of at least 3 affirmative votes. Due to the widely varying economic circumstances and state of workforce housing stock across political subdivisions, the overall local fiscal effect is indeterminate.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): \$3,000 for the new FTE, which includes purchases such as technology hardware, a chair, etc.		
II. Annualized Costs:	Annualized Fiscal Impact on funds from:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	\$90,600	\$
(FTE Position Changes)	(1.0 FTE)	
State Operations - Other Costs	10,000	
Local Assistance	0	
Aids to Individuals or Organizations	0	
TOTAL State Costs by Category	\$100,600	\$
B. State Costs by Source of Funds		
GPR	100,600	
FED	0	
PRO/PRS	0	
SEG/SEG-S	0	
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$100,600	\$
NET CHANGE IN REVENUE	\$	\$

Agency/Prepared By	Authorized Signature	Date
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