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# Wisconsin Legislative Council

## AMENDMENT MEMO

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### 2019 Assembly Bill 859

### Assembly Amendment 1 and Assembly Amendment 1 to Assembly Amendment 1

## 2019 ASSEMBLY BILL 859

**2019 Assembly Bill 859** makes various changes, described below, relating to housing and local regulation of property development.

### Impact Fee Reduction for Workforce Housing

**Current law** generally authorizes cities, villages, and towns to enact ordinances that impose impact fees on developers to offset the cost of infrastructure improvements required to accommodate new land developments. However, an impact fee ordinance may provide an exemption from, or reduction in the amount of, impact fees on land development that provides low-income housing, if costs are not shifted to other land developments. [s. 66.0617 (2) and (7), Stats.]

**2019 Assembly Bill 859** similarly authorizes cities, villages, and towns to provide exemptions from or reductions of impact fees for land developments that provide “workforce housing,” as defined for purposes of the tax incremental district (TID) law, below.

### Local Workforce Housing Initiatives

**2019 Assembly Bill 859** authorizes cities, villages, towns, and counties (political subdivisions) to enact ordinances, adopt resolutions, or put into effect policies to accomplish any of 11 specified initiatives related to “workforce housing,” using the same definition as is used in the TID law, below.

Examples of eligible workforce housing initiatives include, among others: (1) reducing by at least 10 percent the parking requirements for developments that include workforce housing units; (2) rehabilitating at least five dwelling units of existing, uninhabitable housing stock into habitable workforce housing; and (3) reducing by at least 10 percent the cost of roads for developments that including workforce housing units.

Under the bill, a workforce housing initiative remains in effect for five years. After June 30, 2021, if a political subdivision has in effect at the same time at least three of the 11 specified workforce housing initiatives, the Wisconsin Housing and Economic Development Authority (WHEDA), the Wisconsin Economic Development Corporation (WEDC), and the Department of Administration (DOA) shall give priority to the political subdivision in awarding any grant that relates to housing.

### TID for Workforce Housing Development

Under **current law**, a city or village may establish a TID under certain circumstances and pursuant to certain procedures of the tax increment law. **2019 Assembly Bill 859** makes several changes to the tax increment law, as follows:

- Under **current law**, in the case of a TID that is for mixed-use development, which means development that contains a combination of industrial, commercial, or residential uses, the lands proposed for newly platted residential use may not exceed 35 percent, by area, of the real property within the TID. Under **2019 Assembly Bill 859**, lands proposed for newly platted residential use may instead not exceed 60 percent, by area, of the real property within the TID if the newly platted residential use that exceeds 35 percent is used solely for workforce housing.
- Under **current law**, the creation of, and certain changes to, a TID is subject to the approval of a joint review board by a majority vote. Under **2019 Assembly Bill 859**, the majority vote must include at least three affirmative votes (except for a multijurisdictional TID).
- Under **current law**, as a prerequisite to the creation of a TID, a planning commission must adopt a project plan that includes such information as an economic feasibility study, and detailed list of estimated project costs, and a description of the methods of financing. Under **2019 Assembly Bill 859**, the project plan shall also contain alternative projections of the TID's finances and economic feasibility under different economic scenarios, including the scenario in which work on a public work or improvement specified in the project plan begins three years later than expected and the scenario in which the rate of property value growth in the district is at least 10 percent lower than expected.
- Under **current law**, a city or village may extend the life of a TID for one year under certain circumstances. Under **2019 Assembly Bill 859**, the extension may be for three years.
- Under **current law**, a city or village may extend the life of a TID by, among other actions: (1) specifying, in a resolution extending the life of the TID, how the city or village intends to improve its housing stock; and (2) using at least 75 percent of the increments received to benefit affordable housing in the city or village, while using the remaining portion of the increments to improve the city's or village's housing stock. In this context, "affordable housing" is defined as housing that costs a household no more than 30 percent of the household's gross median income. Under **2019 Assembly Bill 859**, the actions the city or village must take to extend the life of a TID, described above, are modified as follows: (1) in the resolution extending the life of the TID, the resolution must specify how the city intends to increase the number of affordable and workforce housing units, instead of how it intends to improve its housing stock; and (2) the city or village must use all the increments to increase the number of the affordable and workforce housing units. In this context, "workforce housing" is defined as housing that costs a household no more than 30 percent of the household's gross median income (i.e., the current law definition of "affordable housing") plus a requirement that residential units are for initial occupancy by individuals whose household median income is no more than 120 percent of the county's gross median income.<sup>1</sup>

## **ASSEMBLY AMENDMENT 1, AS AMENDED BY ASSEMBLY AMENDMENT 1**

**Assembly Amendment 1** modifies several provisions of the bill relating to local workforce housing initiatives and tax incremental financing for workforce housing development.

**Assembly Amendment 1 to Assembly Amendment 1** strikes one provision from Assembly Amendment 1, relating to local workforce housing initiatives.

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<sup>1</sup> The bill also provides that the criteria in the definition be adjusted for family size and the county in which the household is located, based on the county's five-year average median income and housing costs as calculated by the U.S. Bureau of the Census in its American community survey.

## Local Workforce Housing Initiatives

**Assembly Amendment 1** narrows the range of housing grants for which priority is given to a political subdivision having in effect at least three of the 11 specified local workforce housing initiatives. Instead of requiring priority in the award of any housing grant given by WHEDA, WEDC, or DOA, as under the bill, the amendment requires priority only for the following two DOA grants:

- Grants under s. 16.309, Stats., relating to programs funded by a federal Community Development Block Grant.
- Grants under s. 16.303, Stats., relating to assistance to persons or families of low or moderate income to defray housing costs of the person or family. **Assembly Amendment 1 to Assembly Amendment 1**, however, strikes these latter grants from Assembly Amendment 1.

**Assembly Amendment 1** also directs DOA to promulgate rules establishing how it will give priority in the award of grants and prescribing the application form.

Finally, **Assembly Amendment 1** delays the effective date of the local workforce housing initiative provisions until January 1, 2021.

## TID for Workforce Housing Development

**Assembly Amendment 1** makes two changes to the bill regarding the process by which a city or village may extend the life of a TID.

First, it restores the provision of current law that the city or village specify, in a resolution extending the life of the TID, how the city or village intends to improve its housing stock (in addition to the new requirement in the bill that the resolution specify how the city or village intends to increase the number of affordable and workforce housing units).

Second, it requires the city or village, after it extends the life of a TID, when using increments received to increase the number of affordable and workforce housing units, as required by the bill, to use at least 50 percent of the funds to support units for families with incomes of up to 60 percent of the county's median household income.

## BILL HISTORY

Representative Brooks offered Assembly Amendment 1 on February 10, 2020. On February 13, 2020, the Assembly Committee on Housing and Real Estate recommended adoption of Assembly Amendment 1, and passage of the bill, as amended, by votes of Ayes, 9; Noes, 0.

Representative Brooks offered Assembly Amendment 1 to Assembly Amendment 1 on February 18, 2020. On that same day, the Assembly adopted Assembly Amendment 1 to Assembly Amendment 1, adopted Assembly Amendment 1, as amended, and passed the bill, as amended, by voice votes.

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