

Residential TIF Overview

Oct 27, 2020



CARBONDALE

Snapshot

According to 2017 estimates for the City of Carbondale provided by the US Census:

- 🏠 Total Housing Units: 12,950
- 🏠 Total Occupied Housing Units: 10,201
- 🏠 Owner-occupied: 3,088 (30.3%)
- 🏠 Renter-occupied: 7,113 (69.7%)

Snapshot

Vision 2025 Relevant Goals & Strategic Initiatives:

- **Goal #1:** Provide a high quality-of-life and foster a sense of community for all residents
 - Strategic Initiative: Study existing housing profiles to address areas of concern and identify incentives for increasing homeownership
 - Action Item: Implement a residential TIF to help redevelop homes and restore neighborhoods

- **Goal #7:** Beautify streetscapes and enhance residential development/rehabilitation
 - Action Item: Implement a residential TIF to help renovate blighted homes and to encourage homeownership

Snapshot

Other thoughts:

- **The City self-funds housing programs to encourage converting renter-occupied homes to owner-occupied, with 47 grants issued since 2008**
- **Tax Increment Financing (TIF) is an incentive that could be used to spur redevelopment of residential areas that are contiguous to existing TIF Districts**

TIF Overview

Tax Increment Financing District Functions:

- 🌐 **PURPOSE:** TIF Districts help municipal governments stimulate redevelopment in a designated area.
- 🌐 Funds in the special TIF fund are generated by the increase in Equalized Assessed Value (EAV) of properties located within the TIF District.
 - 🌐 When the TIF District is created a “base EAV” is assigned to each parcel in the District
 - 🌐 As those parcels increase in value, either through redevelopment or other activities, the difference between the “base EAV” and the new EAV, what is referred to as the “increment”, is rebated back to the municipality
 - 🌐 This increment, or rebated real estate taxes, can be used to reimburse developers for approved costs, and/or to cover the municipality’s costs of improving the district

TIF Overview

TIF Example – Hypothetical property in a TIF created in 2012:

🌐 Base EAV: \$45,000 - Tax Paid: \$3,825

2016 (following a major redevelopment project)

🌐 New EAV: \$ 300,000 Tax Paid: \$25,500

🌐 After the project is complete in 2016, a property tax increment of \$21,675, the difference between \$25,500 and \$3,825, goes into the City's special TIF fund.

🌐 \$16,256 (75% of \$21,675) goes back to developer every year until their initial investment has been recovered.

🌐 \$5,419 (25% of \$21,675) goes to the City to be spent on improvements within the district, or can be moved to a contiguous district.

TIF Overview

Allowed Uses of Funds – Private Development:

- 🌐 The municipality can use the money in the special TIF fund to pay for certain costs of private redevelopment within the designated district. Specific expenses eligible for reimbursement include:
 - 🌐 Architectural, engineering, legal, environmental, financial, planning, and other services
 - 🌐 Property assembly costs, including acquisition of land, demolition of buildings and site preparation
 - 🌐 Costs of rehabilitation, reconstruction or repair or remodeling of existing buildings, fixtures and leasehold improvements
 - 🌐 A portion of the construction interest cost incurred by a developer related to the renovation or rehabilitation of a redevelopment project

TIF Overview

Allowed Uses of Funds – Municipal Improvements:

- ✦ The municipality can also use the money in the special TIF fund make public investments such as:
 - ✦ Streets,
 - ✦ Sidewalks,
 - ✦ Water/sewer lines,
 - ✦ Broadband,
 - ✦ Street lighting,
 - ✦ Water and sewer lines,
 - ✦ Property purchases,
 - ✦ Marketing expenses

Residential TIF Overview

TIF incentive programs can be used for redeveloping residential property in much the same way as a commercial TIF:

Potential Benefits of a Residential TIF District:

-  Remove & prevent blight
-  Increase the tax base
-  Stabilize development
-  Aid in the development of affordable housing
-  Develop/implement design standards on new construction
-  Assist in converting renter-occupied to owner-occupied
-  Add infrastructure enhancements
-  Conduct marketing activities

Residential TIF Overview

Factors to Consider When Developing the City's First Residential TIF Incentive:

- 🌱 **Expand a current TIF. This allows TIF-generated funds to flow from the more mature TIF that has generated a bigger financial balance, into the property contained in the new expanded boundaries.**
- 🌱 **Further the goals of both the Comprehensive Plan and the Downtown Master Plan by adding more residential housing near downtown**
- 🌱 **Further Council goals as identified in Vision 2025**

Residential TIF Overview

Concerns Expressed During the August 2019 Residential TIF Discussion:

- ✘ **The proposed residential TIF District covered only one neighborhood**
- ✘ **There should be a strategy that allows a broader cross section of our neighborhoods to benefit from this incentive**

Residential TIF Overview

New Proposed Approach:

- **TIF #2 (downtown district) currently touches neighborhoods in Carbondale's Northwest, Northeast and the Arbor District**
- **Rather than create a new TIF District strictly for residential incentives in only one neighborhood, expand the boundaries of the current TIF #2, allowing the City to offer incentives of an expanded TIF District to residents in portions of the Northwest, Northeast and Arbor District neighborhoods**

● [MAP](#)

Residential TIF Overview

Proposed Northwest District TIF Addition:

- 🌿 **131 total parcels**
- 🌿 **Zoning: Entirely R-1**
- 🌿 **81 (or 62%) rentals**
- 🌿 **8 (or 6%) houses have been sold since October, 2017**
- 🌿 **[MAP](#)**

Residential TIF Overview

Proposed Northeast District TIF Addition:

- 🌿 **188 total parcels**
- 🌿 **Zoning: Predominately R-1**
- 🌿 **30 (or 16%) rentals**
- 🌿 **2 (or 1%) houses have been sold since October, 2017**
- 🌿 **[MAP](#)**

Residential TIF Overview

Proposed Arbor District TIF Addition:

- 🌳 **227 total parcels**
- 🌳 **Zoning: Mix of R-1, R-2 & R-3**
- 🌳 **154 (or 68%) rentals**
- 🌳 **11 (or 4.8%) houses have been sold since October, 2017**
- 🌳 **[MAP](#)**

NEXT STEPS

In Developing a Carbondale Residential TIF Incentive:

- 🌐 **Finalize the new residential boundaries to be added to TIF #2**
- 🌐 **Issue RFP for a consultant to begin the formal development process**
- 🌐 **Select consultant and begin expansion process**
- 🌐 **Expected time to completion: 8 – 12 months**