BRPC
Berkshire Regional Planning Commission

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Urban Center Housing TIF

What is an Urban Center Housing TIF?

The Urban Center Housing Tax Increment Financing program is a financial mechanism for cities and towns to foster the development of new affordable housing units in its downtown core.

The state Department of Housing and Community Development promulgated new guidelines for the program in 2018, enabling cities and towns to phase in the property taxes on the increased value to assist developers in financing large renovations in exchange for affordable housing guarantees.

A municipality reaches an agreement with a developer to temporarily freezes the current tax assessment of a multi-unit building to give developers time to complete construction and generate income from the property before paying the substantial tax increases that come with major renovations. In exchange, the developer signs a contract which assures the city that it will cap rents at an affordable rate. The municipality and the developer agree to slowly integrate the new tax burden associated with the renovations over time.

The development must include one of the following restrictions:

- At least 15% of the housing units are affordable for occupants or families with incomes at or below 80% of the area median income.
- At least 25% of the housing units are affordable to occupants or families with incomes at or below 110% of the area median income.
- The property satisfies the requirements of an existing inclusionary zoning ordinance or by-law in the municipality to make a portion of the housing units affordable to low- and moderate-income households.

The agreement may be combined with grants and loans from local, state, and federal programs to round out the financial feasibility of the planned development. The program is particularly useful in encouraging the development of mixed-use properties that feature both commercial and residential uses.

Objectives:

Berkshire County downtowns boomed in the 1960s and 1970s as commercial centers but changes in regulations and the economy rendered some multi-story buildings incapable of supporting the same types of uses.

Municipalities often watch assessment values decrease as properties become underutilized, abandoned, or distressed.

The UCH-TIF program offers an opportunity for municipal officials to reimagine their downtowns and add a tool to attract investment. The UCH-TIF program is designed for commercial areas that experience a significantly low volume of foot traffic after work hours.

Successful projects address shortages of affordable housing, breathe new life in commercial centers, restore distressed properties, and place long-term income restrictions on units to ensure diversity in a neighborhood.

BRPC PROGRAM

Community Planning Program
berkshireplanning.org/programs

Information and links current as of May 2023. Please contact BRPC for updates.

The Plan:

A municipality's executive office starts by identifying commercial areas where a heightened focus on residential and mixed-use development will help achieve the community's affordable housing goals.

The municipality must create a plan that includes the specific delineated areas, objectives, parcel descriptions, current zoning, conceptual development specifications, schedule of public infrastructure improvements in the area, the characteristics of the buildings including the number of affordable houses on each property and establish that projects would not be financially feasible without a TIF program.

Additionally, the plan must ensure that 25% of the new affordable housing units in the zone qualify as affordable and those units will count towards a municipality's subsidized housing stock.

The municipality is required to hold a public hearing on the proposed zone and plan, and the legislative body must approve it. The municipality then submits the plan to the Department of Housing and Community Development for approval.

The Agreements:

The Department of Housing and Community Development approves all plans prior to execution. A municipality's executive office or its designee negotiates the contracts with the property owner.

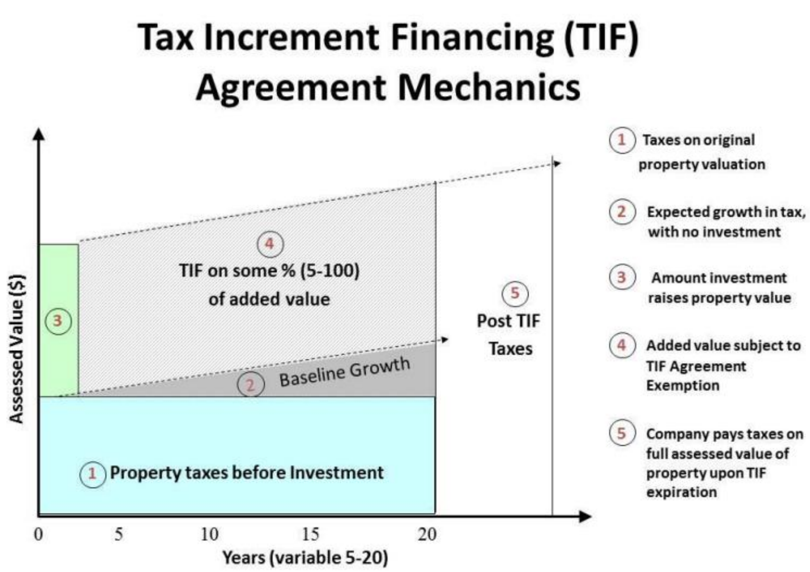
A contract must include a detailed description of investments both the owner and the municipality will make, the TIF structure including the percentages phased in per year, an affordable housing restriction including the number of units, and the municipality's enforcement provisions.

The Affordable Housing Provision:

Any provision in the agreement must include enforcement mechanisms. The restriction provides the Department of Housing and Community Development the first right of refusal to purchase the property and the affordable housing provision takes precedence over all mortgages and liens on the property. The agreement must ensure that the selection of income-qualified tenants is made in accordance with all fair housing laws and includes computations for annual household incomes.

Ongoing Reporting:

A municipality must submit an annual report to the Department of Housing and Community Development which includes certifications of household incomes of tenants living in the affordable housing units.



Source: Massachusetts Office of Business Development

TIF Agreements:

Through an agreed-upon TIF, a municipality exempts a percentage of the increased value per year such as in the example below:

- Year 1 100%
- Year 2 90%
- Year 3 75%
- Year 4 60%
- Year 5 45%
- Year 6 30%
- Year 7 15%
- Year 8 0%