



# FINANCING STRATEGIES FOR LIVABLE COMMUNITIES

**2017 AARP Livable Communities  
National Conference  
Dallas, Texas  
November 15, 2017**

# LIVABLE COMMUNITY FINANCING MECHANISMS

**YOUR STATE OFFICE IS CONSIDERING SUPPORT FOR A COMPREHENSIVE LIVABLE INITIATIVE THAT WILL REQUIRE A FUNDING SOURCE.**

- **WHAT DOES AARP POLICY RECOMMEND ABOUT FINANCING?**
- **WHAT ARE SOME POSSIBLE OPTIONS?**
- **WHY ONE SOURCE OVER ANOTHER?**
- **ISSUES TO CONSIDER WHEN AGREEING TO ENGAGE**

# TRANSPORTATION

## AARP POLICY

**Providing community residents with a range of affordable and convenient transportation options requires both adequate funding and effective prioritization of limited resources.**

**The use of general sales tax for transportation should require that the benefits received by households with low incomes outweigh the regressive nature of the tax. Instituting a general option sales tax or raising the sales tax rate to fund transportation projects should be done only after a thorough exploration of alternative funding options, including an expansion of the sales tax base and the release of state gas-tax dollars for public transportation.**

**States should make gas-tax revenue, as well as general funds, available to support transportation alternatives, including but not limited to public transportation, ride-share programs, and pedestrian and bicycle infrastructure.**

**New or increased revenue sources for transportation should be equitable, sustainable, and consistent with livable-community, national energy, environment, economic, and safety goals.**

**Funding methods should not rely disproportionately on the contributions of households with lower incomes.**

# TRANSPORTATION

## POSSIBLE FINANCING MECHANISMS

### **Increase in Sales Taxes: (rail)**

- **Phoenix, Arizona .3% sales tax increase through ballot initiative approved by the voters**
- **Los Angeles County, California .5% sales tax increase through ballot initiative approved by the voters**

### **Increase in Income Taxes: (bus rapid transit)**

- **Marion County, Indiana .25% increase in income taxes through ballot Initiative approved by the voters. Unlikely option unless there is already an existing local income tax**

### **Gas Taxes: (roads)**

- **Portland, Oregon 10 cent tax for 4 years, new tax, through ballot initiative approved by the voters. No sales tax in Oregon and the state constitution limits which types of taxes can be used for which purposes.**

### **General Excise Taxes: (rail)**

- **Honolulu, Hawaii .5% general excise tax on goods and services dedicated to a rail system; as well as a hotel tax increase of 1%. Accomplished through legislative action.**



Real Possibilities

# TRANSPORTATION

## POSSIBLE FINANCING MECHANISMS, CONTINUED

### **Combination of Taxes: (rail & bus rapid transit)**

- **Nashville, Tennessee increase in sales tax (.5%), business excise tax (20% surcharge), hotel lodging tax (¼ percent increase), rental car tax (20% surcharge)**
- **Possible ballot measure in May 2018**
- **Types of taxes a locality can impose may be limited by state legislative authority, as in Tennessee**

### **General Fund:**

- **Support a transportation initiative with money from the local government's general fund. \$350,000 from the general fund for rural transit services funding across Dona Ana County**

**When tax is regressive (tax burden falls more heavily on those with less income) offices should consider:**

- **Were other less regressive options considered? (expanding the base)**
- **Does the plan offset the burden on this group? (for example, access to jobs, affordable housing, reduced fares)**
- **Is the kind of transportation being planned accessible to the low income and older populations? (bus service, paratransit, access a ride)**



# HOUSING

## AARP POLICY

**State and local governments should encourage development of housing for people with low incomes through state tax credits and the use of state bond proceeds and redevelopment funds.**

**States should consider requiring developers to bear their fair share of development costs by funding infrastructure improvements, paying impact fees, or contributing to housing construction.**

# HOUSING

## POSSIBLE FINANCING MECHANISMS

**Development Impact Fees/Linkage Fees:** When a program is structured to require fees instead of requiring onsite units, the fee is called an ‘impact fee’ or ‘linkage fee.’

- For affordable housing (Denver, Colorado); (Los Angeles, CA)
- In Denver, enacted by the City Council; along with increased property tax (low property tax income state)

**Density Buildouts:** increase in height for affordable units

- For affordable housing, New York City, enacted by the City Council

**A Variety of Other Fees for Affordable Housing Trust Funds:**

- Document Recording Fees – fee assessed for the administration of recording property deeds and mortgages.
- Tourist Tax/Luxury Tax
- Entertainment Ticket Surcharge
- Demolition Tax
- Sales Tax
- Others



# MUNICIPAL BONDS

- Bonds are issued by state and local governments for infrastructure development such as the construction or improvement of schools, streets, highways, hospitals, bridges, water and sewer systems, ports, airports, housing, and other public works.
- Bonds sometimes require voter approval and General Obligation bonds are repaid out of the government's general tax fund or from an increase in the sales tax rate, income tax rate or property tax rate.
- In addition to repaying the bond principal, the state or locality must pay interest on the money it borrows. The interest paid by municipal bonds is exempt from federal and sometimes state income tax. This tax exemption helps to compensate for the bonds' low interest rate, and why it is a vital tool to help build infrastructure.

## Limitations of Bonds

- Limited policy in this area
- Bonds typically must be paid first **before** covering all other expenses of state and municipal governments.
- Unsure what the government total debt load is and capacity for paying it back; although debt service is typically only about 5 percent of the general fund budgets of state and municipal governments.



Real Possibilities



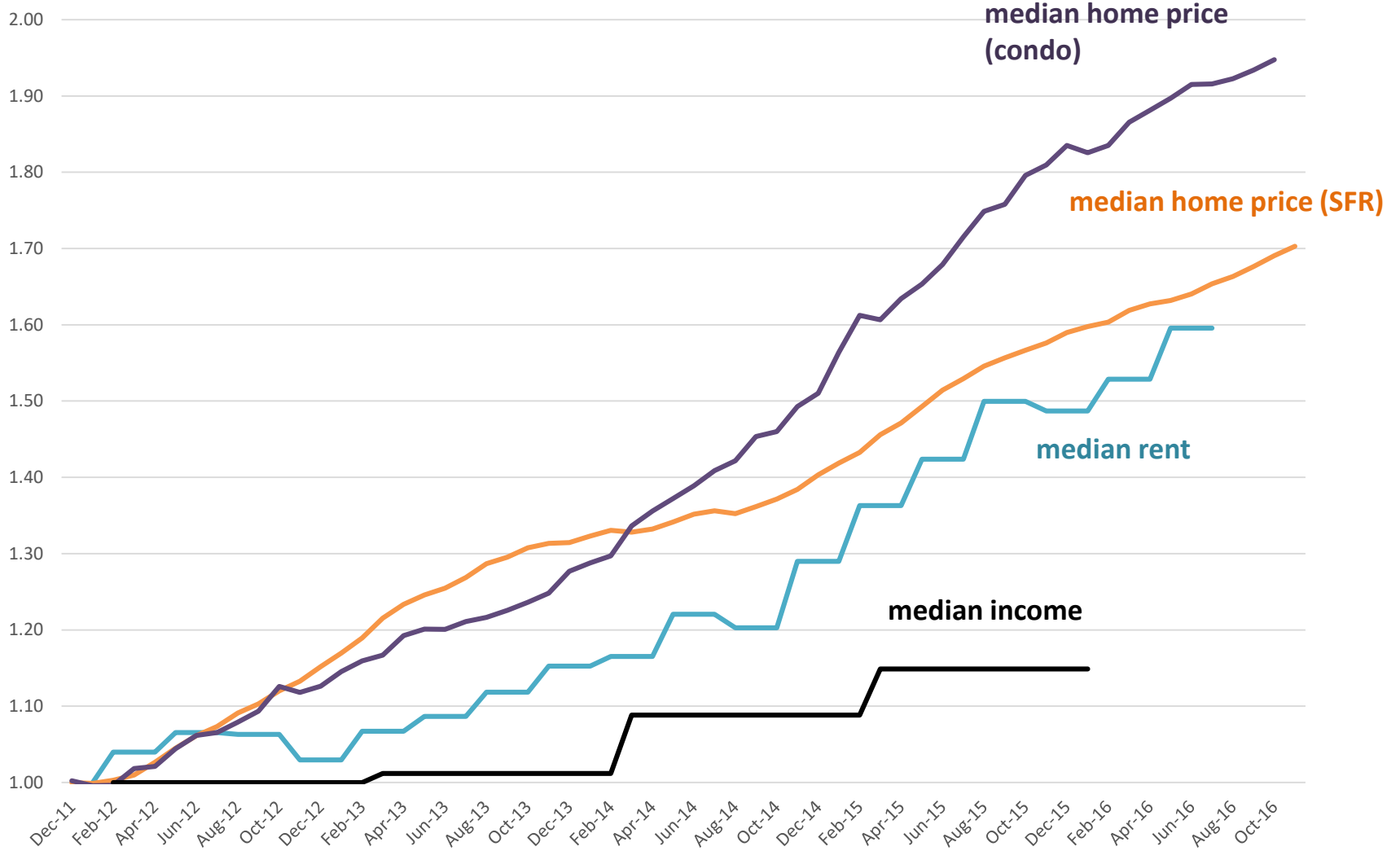
# Denver Affordable Housing Ordinance

## AARP Colorado's Outreach & Advocacy

Roberto Rey, ASD Multi-Cultural Outreach

# Growth in Housing Costs vs. Income

(Denver County 2012-2016, Indexed to December 2011)



# Need for Affordable Housing in Denver

## Residents Experiencing Homelessness

- At least 3,336 households reported homelessness in 2017 Point in Time Survey

## Affordable and Workforce Rental

- 68,000 renters households that are “cost-burdened”
- Gap of at least 21,000 units at the lowest income levels

## Homeownership

- 35,000 owner households that are “cost-burdened”

# Dedicated Housing Fund

- **Property Tax\***

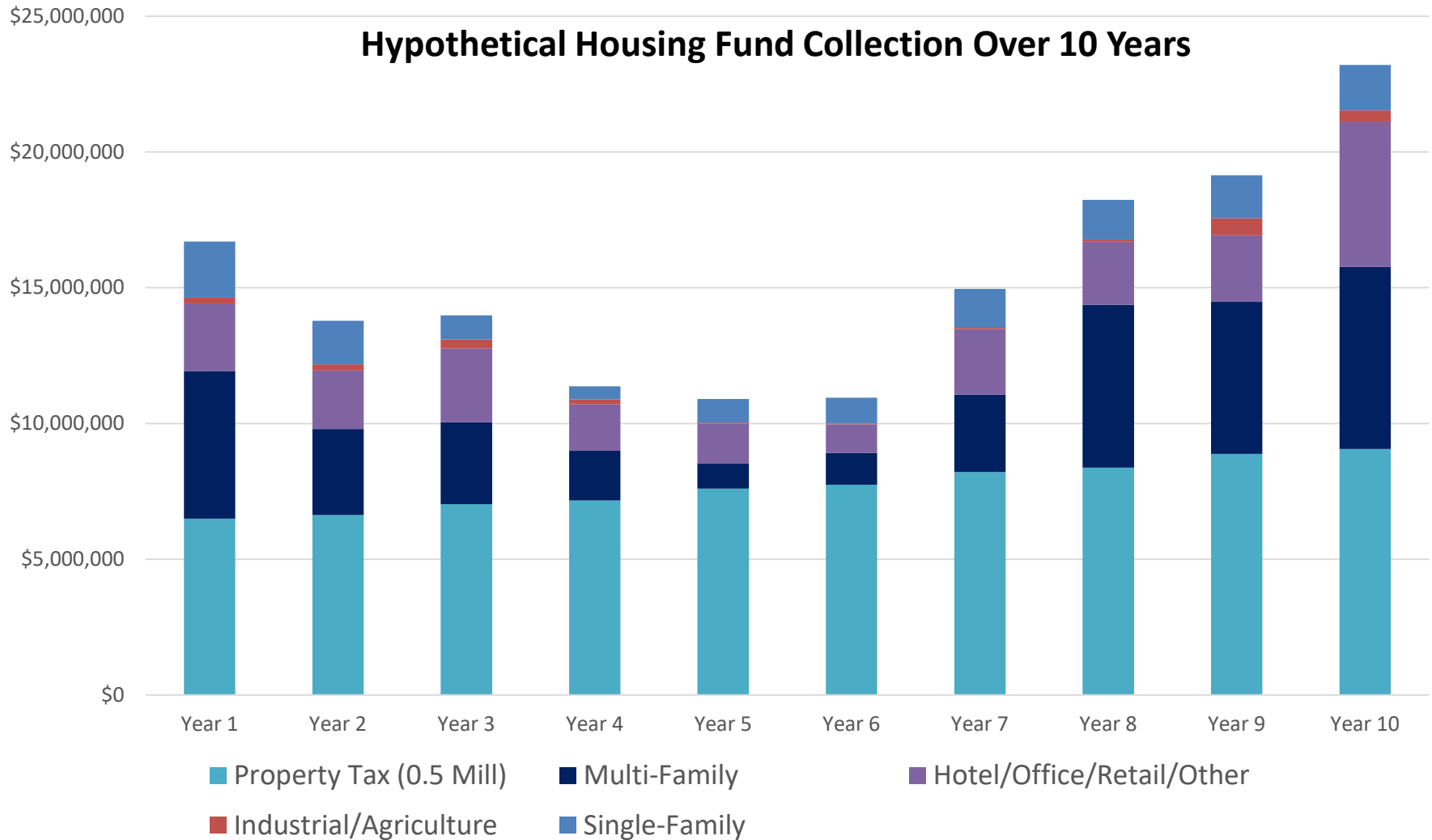
- 0.5 mill for year one
- \$6.5 million in year one

*\* Adjustable mill in year two and beyond (as with other mills). Tax revenue is expected to grow gradually over time.*

- **Development Fee**

- |               |                           |              |
|---------------|---------------------------|--------------|
| ○ Residential | Single-Family/Duplex      | \$0.60/sq ft |
| ○ Residential | Multi-Family              | \$1.50/sq ft |
| ○ Commercial  | Hotel/Office/Retail/Other | \$1.70/sq ft |
| ○ Commercial  | Industrial/Agricultural   | \$0.40/sq ft |

## Hypothetical Housing Fund Collection Over 10 Years



Note: Hypothetical based on historic 2006–2015 new construction (assuming 20% of Single-Family and Multi-Family development is exempt and 10% of Hotel/Office/Retail/ Other and Industrial/Agriculture development is exempt). Property tax is assumed to be \$6.5M in year 1 growing at 2% in non-reassessment years and 6% in reassessment years.

# Affordable Housing Plan

Housing Plan integrates feedback from stakeholders, the public and Denver's Housing Advisory Committee to:

- Recommend key legislative and regulatory strategies to support development of inclusive communities in Denver
- Recommend key investment strategies across the housing spectrum
- Set housing production and preservation goals across income spectrum
- Inform housing budget recommendations

# Housing Plan Priorities

**40 – 50% of housing resources** will be invested to serve people earning below 30% of Area Median Income (AMI) and those experiencing homelessness who are seeking to access or maintain rental housing, including:

- **20-25% of housing resources** to serve residents experiencing homelessness
- **20-25% of housing resources** to serve residents earning below 30% AMI

**20 – 30% of housing resources** will be invested to serve people earning 31% to 80% AMI who are seeking to access or maintain rental housing.

**20 – 30% of housing resources** will be invested to serve residents seeking to become homeowners or remain in homes they already own.

# Housing Plan Strategies Summary

**To address the involuntary displacement of residents, Denver will:**

- Explore Land Trusts and Land Leases as potential tools for preserving affordability for home owners in vulnerable neighborhoods.
- Work to preserve both small- and large-scale affordable rental properties.
- Promote programs that help families stay in their existing rental housing through comprehensive eviction assistance.
- Promote programs that help home owners maintain their existing homes.



Real Possibilities



# Housing Plan Strategies Summary

**The plan calls for investing 40 to 50 percent of the available housing funds into housing solutions for people experiencing homelessness or earning very low incomes.**

**Strategies include:**

- Expand access to housing options for people experiencing homelessness.
- Build housing capacity with increased supportive housing, and implement shelter diversion solutions and increased rapid-rehousing.
- Identify and Prioritize supportive services funding for approved supportive housing projects.
- Preserve existing income-restricted affordable rental housing in vulnerable neighborhoods and near transit.



Real Possibilities

# Housing Plan Strategies Summary

**Looks at Denver's housing supply with an eye towards:**

- Leveraging publicly owned land for affordable housing development.
- Promoting development of new affordable and mixed-income homeownership stock.
- Preserving affordability of existing income-restricted homeownership stock.
- Expanding programs that help households access for-sale housing.

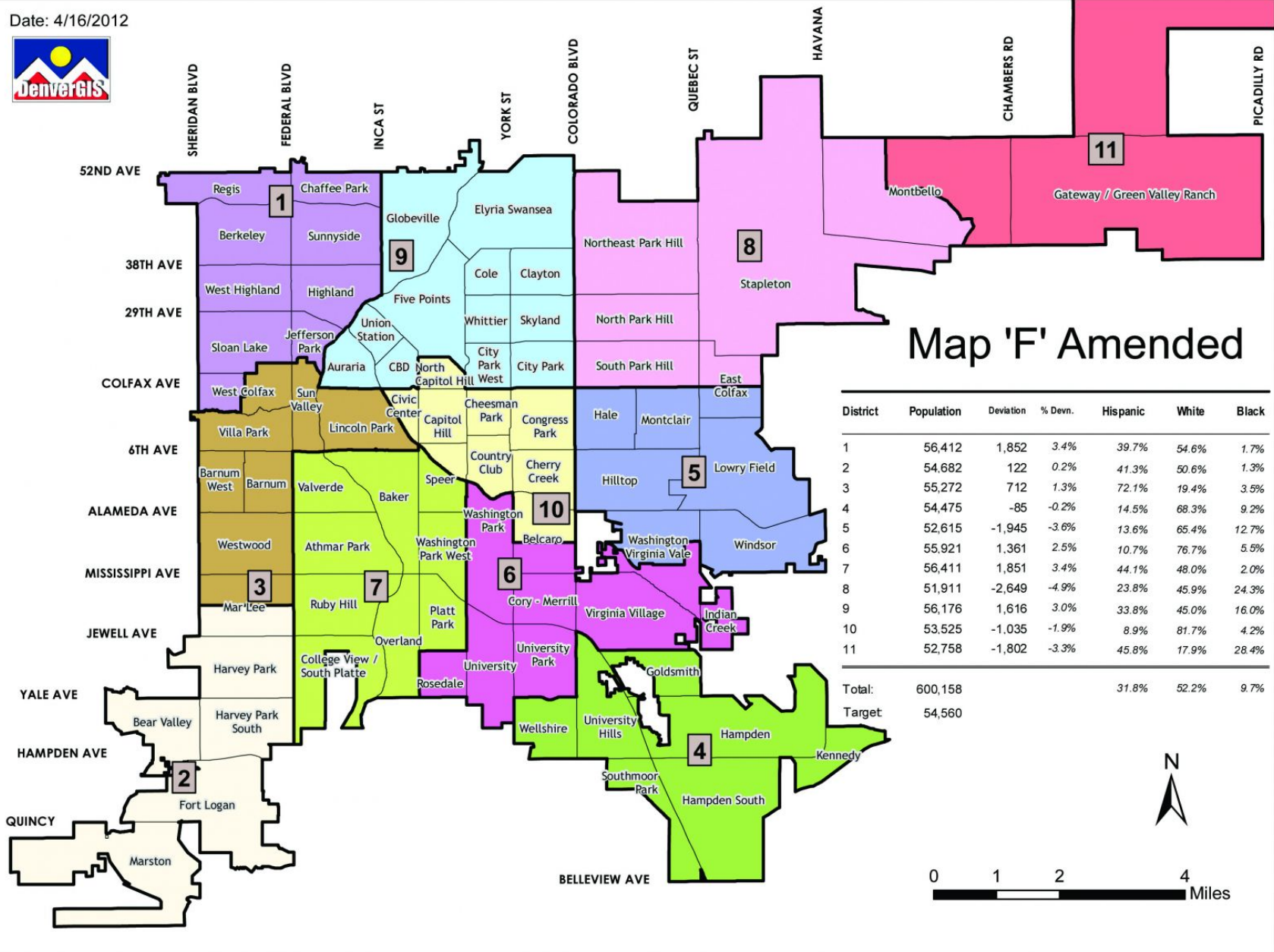


Real Possibilities

# AARP Local Advocacy – Denver

- Link Multicultural and Livable Communities
- Gentrification
- \$900 Million Bond Issue for November Election—Infrastructure 2017
- Bonding of Affordable Housing Fund 2018
- Affordable Transportation

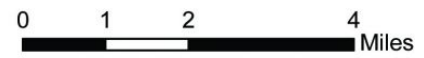
Date: 4/16/2012



# Map 'F' Amended

District	Population	Deviation	% Devn.	Hispanic	White	Black
1	56,412	1,852	3.4%	39.7%	54.6%	1.7%
2	54,682	122	0.2%	41.3%	50.6%	1.3%
3	55,272	712	1.3%	72.1%	19.4%	3.5%
4	54,475	-85	-0.2%	14.5%	68.3%	9.2%
5	52,615	-1,945	-3.6%	13.6%	65.4%	12.7%
6	55,921	1,361	2.5%	10.7%	76.7%	5.5%
7	56,411	1,851	3.4%	44.1%	48.0%	2.0%
8	51,911	-2,649	-4.9%	23.8%	45.9%	24.3%
9	56,176	1,616	3.0%	33.8%	45.0%	16.0%
10	53,525	-1,035	-1.9%	8.9%	81.7%	4.2%
11	52,758	-1,802	-3.3%	45.8%	17.9%	28.4%

Total:	600,158			31.8%	52.2%	9.7%
Target:	54,560					



# Organizing Steps

- Research meetings with Council Reps. & Community Partners
- Affordable Housing Conference
- Community meetings around key issues & mailings in support of electoral or City Council advocacy

# Transportation Funding

## AARP New Mexico's Transportation Funding Strategy

DeAnza Valencia, ASD Advocacy

# Tired of the Local Bake Sale

- In New Mexico, funding for public transit and multi-modal transportation options has relied almost exclusively on federal funds matched with local and regional dollars.
- In order to meet the federal matching funds, New Mexico's local transit providers have told state legislators they would have to host an annual "bake sale" to find their local match since there is **NO recurring state revenue for public transit**.
- As a matter of fact, the state of New Mexico actually had a \$50,000 state **funding cap** on public transit until 2003!

# Why focus on the state?

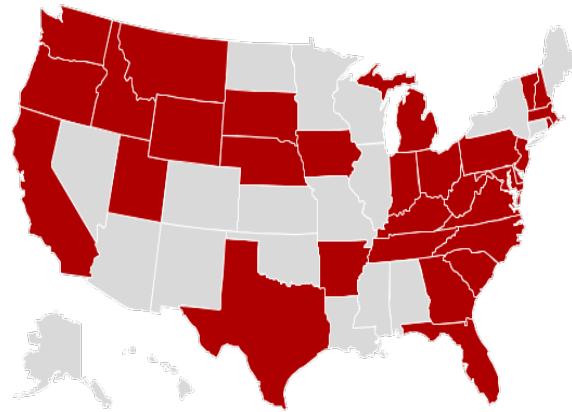
- Congress wrapped action on a five-year transportation authorization (The FAST Act) at the end of 2015. The FAST Act provides greater fiscal certainty for transportation from the federal government than states have had in a decade, though it did not significantly increase funding.
- Considering this and the fact that the federal program is still largely a **block grant** given to and **controlled by the states**, state leadership on transportation issues has become more important than ever.
- Many states rely on static, cents-per-gallon gas taxes, often unchanged for decades, to fund their transportation systems. Thus, the value of those funding sources for transportation has **subsequently eroded**.



# Why the focus on the state?

- State-level reform is essential for advancing livable communities funding and policy reforms to make the most of limited infrastructure dollars.
- Without reliable, sustainable and affordable public transportation options, aging in place is not an option.

SINCE 2012  
THIRTY-ONE STATES  
HAVE APPROVED  
PLANS TO  
RAISE ADDITIONAL  
TRANSPORTATION  
REVENUES



**AARP**<sup>®</sup>

Real Possibilities

# Why the focus on the state?

- Unfortunately, the road-heavy **distribution formulas** of state funds are often relics of decades-old priorities that are out-of-touch with the new needs of livable communities.
- So.....states need the **flexibility** to give LOCAL governments more funding power and responsibility.
- Because... voters are more likely to endorse transportation funding increases if the decisions are made at the local level in response to community transportation needs.

# Step 1: Look to the Regions

- **The Regional Transit District Act**, supported by AARP NM and passed in 2003 by the New Mexico Legislature, authorized the creation of Regional Transit Districts (RTDs) in New Mexico, and outlined their powers and duties.
- This was followed up in 2004 by the **Regional Transit Gross Receipts Tax Imposition** legislation, which allowed member communities of an RTD to increase gross receipts taxes to support local transit.
- The rise of RTDs in New Mexico has been critical because they've proven to be an invaluable way to fund and operate transit on a regional basis.
- Consider that since 2007, rural transit ridership in the state has increased by more than **120 percent**; that the state helped launch the popular Rail Runner Express commuter rail service in 2006 ; and that since 2008 four new regional transit districts have been formed and certified.

# Step 1: Cont.

- Through local advocacy and working with the Regional Transit Districts across the state, AARP New Mexico has effectively advocated for millions more in additional **local level transportation funding**.
- This has been particularly effective for New Mexico's **RURAL areas**, namely in Southern and Northern New Mexico, where dollars are extremely scarce and older residents are extremely isolated.

# Step 2: Look to the State

- New Mexico is one of only a few states that **does not** provide recurring state funds to public transportation providers.
- AARP NM has been advocating with the New Mexico Transit Association to call upon the Legislature to establish a **state public transportation fund** and distribution methodology for transit systems operating within the state.
- Unfortunately, this legislative effort has met many road blocks. (Pun intended!)

# Step 3: Look Forward

As your state is evaluating livable community financing strategies around increasing transportation options, be sure your strategy includes:

- Ensures transparency and accountability
- Bridges the rural-urban divide
- Has Leadership from the governor
- Builds a broad-based coalition
- Creates new innovative revenue mechanisms
- Develops effective messages and messengers with your Communication ASD

# Contact Us

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