









## What Makes a Housing Market Function Well?

*A housing market is functioning well if it...*

-  Has an adequate supply of housing available at different price points to ensure that households of all incomes can find housing that meets their needs
-  Includes different types of housing (such as rental and ownership and single-family and multifamily)
-  Provides stable, decent-quality housing to support the community's health and education goals
-  Provides housing for the workers needed to fuel the economy
-  Includes housing options that meet the needs of seniors, persons with disabilities, families with children, young adults, and other household types
-  Provides housing options close to jobs and public transit to allow households to reduce their energy use and transportation costs and reduce traffic congestion

## Types of Housing

A well-functioning housing market will include a diversity of housing types to meet the needs of all of its residents. Housing development can either take the form of new construction or rehabilitation of existing buildings. General housing types include:

### Rental Housing

Rental housing can include market-rate units, dedicated affordable units that are subject to income and/or rent restrictions, and market units that are affordable as a result of their physical condition, location, or other factors.

### Owner-occupied Housing

Approximately 54% of units in Rockford are owner-occupied, meaning they serve as the primary residence of the person who owns the property.

### Single-family Housing

Single-family homes are intended for one family to live in at a time and are typically permitted in areas zoned for low-density or medium-density housing. They are typically among the highest-cost forms of housing. Relative to multifamily housing, single-family homes typically consume more energy because the units are larger.

### Multifamily housing

Multifamily homes can include townhouses, duplexes, garden apartments, or multistory apartment buildings, and are typically allowed in areas zoned for medium-density or high-density housing. Townhouses and duplexes may also be permitted in areas zoned for low-density housing.

### Mixed-income housing

Mixed-income development refers generally to residential settings in which housing is affordable to individuals and families with different income levels. The term is often applied to projects that include a mix of market-rate and dedicated affordable units (include restricts on rents or home prices to ensure they are affordable to low- or moderate-income households) in the same building or development.



## What Actions Can Local Government Take to Support Housing Development?

While most housing is produced by the private sector, the ability of the private sector to produce housing depends on basic economics: the expected rents or home prices need to be sufficient to justify construction costs. **Local government action can change the economic calculus to make housing development more feasible.** Potential actions can include the use of:

### Publicly-owned land

Local governments can make publicly-owned properties (or development rights on these properties) available at no (or a reduced) cost to developers to create new housing developments at a lower cost, allowing the new housing to remain affordable for people at different income levels.

### Tax abatements

Tax abatements reduce the total amount of tax owed. Some local jurisdictions offer tax abatements to encourage rehabilitation of housing developments. In this scenario, the owner's total tax liability may be reduced by all or a portion of the difference between the pre- and post-renovation tax bills for some defined period of time. Tax abatements can also be used as an incentive to stimulate new development; for example, the owner of a multifamily rental property may be provided a discount on their tax bill for a defined period of time to make the develop more economically feasible.

### Zoning policies

Changes to local zoning policies can help to facilitate the development of lower-cost housing types, such as accessory dwelling units, manufactured homes, multifamily housing, micro-units, or single-room occupancy developments. Other zoning policies can include zoning changes to allow for missing middle housing such as duplexes or triplexes.

### Subsidies

Capital subsidies can take several forms, but generally are any funds provided from a source (such as a unit of local, state or the federal government) that reduces the amount of financing a borrower needs to obtain from a conventional lender to support housing development or rehab. Because a capital subsidy does not need to be paid back, it reduces the amount that must be borrowed or obtained through an equity investment by a private party to develop a rental property. Lower debt service levels allow a project to charge lower rents and still be economically sustainable. Capital subsidies may take the form of grants, forgivable loans, or tax credits.

### Historic tax credits

Historic tax credits are one type of subsidy that are used specifically to rehabilitate and reuse historic buildings. This can include the adaptive reuse of non-residential buildings to residential.

### Tax increment financing

Tax increment financing (TIF) originated as a vehicle for issuing bonds to fund the redevelopment of blighted areas which are designated as TIF districts. A jurisdiction starts by creating a TIF district with well-defined boundaries, and then issues bonds to pay for public infrastructure improvements and other amenities to stimulate private development within the district. The bonds are backed by the anticipated TIF revenue, and repaid with incremental tax receipts as private development activity increases. Some TIFs function differently, using the TIF revenue to pay for improvements rather than using a bond to make changes up front. The City of Rockford currently has 32 TIF districts.

