



Tax Increment District (“TID”) Basics  
TID 101

5:00 PM, June 27th, 2017  
Training Room

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- Introduction to Tax Increment Financing
  - Background – Why Use TID? How Does it Work?
  - “But For”
  - Creating a TID
- Using Tax Increment Financing
  - Eligible/Ineligible Projects
  - Basic Administration
  - TID District Summaries
- Pending Legislation Affecting TID (If time permits)
- Future Use of TID (If time permits)

- Economic development tool used in Wisconsin and many other states
- Allows cities to capture incremental **property tax revenue** from **growth** in defined area and use that revenue to **benefit** that area
- Key acronyms:
  - TIF = Tax Increment Financing (the tool)
  - TID = Tax Increment District (where the tool is used - boundary)

- Since 1976 has been THE most powerful economic development tool available to local government
- Intent:
  - Promote economic development and redevelopment
  - Address lack of other incentives and financial resources
  - Promote cooperation between public and private sectors
  - Counteract economic downturn (mid 70's recession)

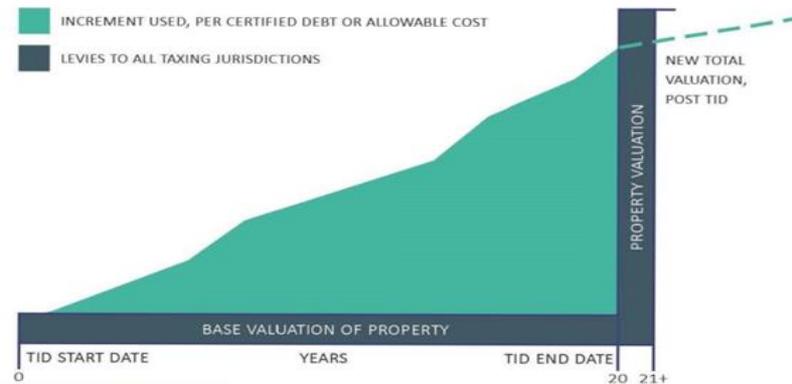
# Tax Increment Finance 101

## TIF Mechanics in Brief

Tax increment finance (TIF) is a method to promote urban renewal efforts in an area by directing the property tax revenues generated from property value increases within a designated TIF district (TID) to finance the costs of improvements made in the district. TID addresses a lack of state and federal programs.

Wisconsin cities, villages, towns, and certain counties may establish TID's. A TID is considered if the City seeks to promote development within a certain area. The most important consideration is the "but for" test, a determination that little or no new development would take place without the use of tax increment financing.

When a TID is created, a "base" valuation of the property value is established. The base valuation accounts for assessed values prior to the TID designation. The tax revenue from this base value remains with all taxing authorities. Increases in the assessed value over time over and above the base are called the "increment." The TID authority may access the tax revenue generated by the increment, or may choose to release some or all of this revenue back to the traditional taxing authorities.



## TIF Goals

TIF districts can be created to accomplish different goals, per *State Statute 66.1105*. Success may look different depending upon whether a TIF was set up to address slum and blight, or economic development.

### Rehab and Blight

Address issues related to:

- the safety, health and welfare of an area
- areas experiencing impaired growth
- housing challenges
- increasing criminal activity
- traffic problems or hazards

### Economic Development

Address the need for:

- creating economic development partnerships
- strengthening and revitalizing the economy of the state and municipalities
- providing jobs and housing

- Key underpinning of the TIF program is referred to as the “but for” test
- “But for” the use of TIF, the proposed development would not occur:
  - As proposed
  - Within the same/similar time period
  - With the same level of
    - Property value
    - Jobs
    - Amenities



- Maximum time period TID can incur expenses or obligate revenues related to project plan
- Generally five years shorter than maximum life
- After expenditure period ends, TID may continue to pay:
  - Debt service on existing obligations
  - Contractually-obligated expenses
  - Ongoing administrative expenses

- Public works & improvements
- Financing costs
- Real property assembly costs (land write-down)
- Professional service costs
- Admin/Organizational costs
- Contribution to Community Development Authority or Redevelopment Authority
- Relocation costs
- Pro-rated costs of utility infrastructure
- Cash grants (requires developer agreement)
- Environmental remediation
- Projects within ½ mile of district
- **All costs must directly relate to purpose of the TID, including ½ mile**

- Costs of constructing or expanding administrative, police, fire, community, recreational, library and school buildings
- General government expenses unrelated to the TIF district
- Costs associated with newly platted residential development (except in Mixed Use districts with “qualifying” residential)

- Primary Elements
  - Estimated Project Costs
  - Development/Redevelopment Assumptions
  - Boundary Description and Maps
  - Economic Feasibility Analysis
- The Plan contains estimated costs which the City Council must approve individually for those projects to proceed
- Boundary Amendments & Project Plan Amendments

1. Plan Commission/Jurisdiction prepares project plan
2. Convene Joint Review Board (5 members)
  - Each taxing body represented
  - One member of the public appointed
3. Public Hearing of Plan Commission
4. Governing Body approval (official “Creation Date”)
5. Joint Review Board approval
6. State approval (procedural and legal review)

***Note: variety of date/procedural/notice requirements at each step***

- Several options for financing projects with TIF:
  - Community “Fronts” Costs
    - Issue general obligation or revenue debt
    - Advances from other funds
  - Pay-as-you-go
    - Use TIF revenue stream and accumulated balances to pay expenses
  - Developer agrees to up-front costs, repaid from TIF revenues
- Each Option has its risks:
  - Municipality obligated in most cases to pay debt service even if TID revenue is insufficient
  - Advances from other funds may never be repaid
  - Developer-assumed risk comes at a cost
  - Properly constructed development agreements are important

- Purpose: Identify & Assign Responsibilities and Mitigate Risk
  - Provide protections for public investment
  - Require committed projects prior to making expenditures and phase expenditures
  - Require developer “skin in the game”
  - Model worse case scenario to determine if it can be managed
- Options to protect against TID cash flow shortfalls
  - Valuation benchmarks tied to receipt of incentives
  - Value guarantees
  - Shortfall guarantees
  - Direct debt repayment guarantee
  - Deferred special assessments

# Financing Projects



District	Base Year	Base Value	Current Value as of End of June 2017	Total Increase or Decrease
TID 1 (Closed)	1979	\$1,893,800	\$5,631,200	\$3,737,400
TID 2 (TID 3)	1988	N/A	N/A	N/A
TID 3 (Closed)	1988	\$312,000	\$1,161,000	\$849,000
TID 4 (Closed)	1989	\$1,235,500	\$15,940,200	\$14,704,700
TID 5	1994	\$467,400	\$24,712,700	\$24,245,300
TID 6	2005	\$974,600	\$8,705,200	\$7,730,600
TID 7	2009	\$1,158,200	\$1,008,900	(\$149,300)
TID 8	2010	\$1,326,500	\$3,976,600	\$2,650,100
TID 9	2012	\$4,712,300	\$7,397,800	\$2,685,500
TID 10	2014	\$71,500	\$5,301,000	\$5,229,000
TID 11	2016	\$7,860,500	\$7,860,500	\$0
TID 12	2016	\$0	\$1,056,500	\$1,056,500
<b>Totals</b>		<b>\$20,012,300</b>	<b>\$81,695,100</b>	<b>\$62,738,800</b>

- Infrastructure out at Sterling Ponds
- Radio Road interchange and extension of Paulson Road
- North Interceptor Project
- Traffic signalization at South Main Street and East Walnut Street
- Property purchase to construct trail around Lake George in TID 9

- Donor Tax Increment District (TID) Reform
- “But For” Reform
- “Sunshine” Reform
- Rogue TID Reform
- “Best Practices” Legislation (Choose one of the three)
  - Make all expenditures within half of the remaining expenditure period
  - Require 51% of any public improvement costs be funded by PAYGO
  - Expect that you will recover all project costs within 90% of the TID’s remaining life
- Eliminate Levy Limit “Double Dipping”