

Tax Incremental Financing Districts (TIF or TID) 101

What is 'tax increment financing'?

- Commonly referred to as "TIF" or "TID"
- TIF is the primary economic development tool for local governments
- TIF Law approved by WI Legislature in 1975
- TIF Law found in section 66.1105 Wis. Statutes
- Village makes investments in TIF districts to attract new development and increase tax base

TIF 101

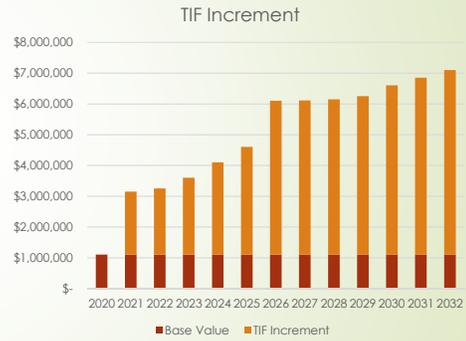
- **Four primary TIF districts types:**
 1. Blight elimination.
 2. Rehabilitation or conservation.
 3. Industrial development.
 4. Mixed Use (can have all three elements plus residential development).
- 5. Town TIF § 66.1106 (16)
- 6. Environmental TIF § 66.1106



TIF 101

How Does TIF Work?

- Village creates a TIF
- Base value of \$1,000,000 (**red box**) is taxed by all taxing bodies
- Village invests in TIF to attract new development value (**gold box**)
- Village uses taxes on new TIF value to recover TIF investments or refund taxes via "Pay as You Go" TIF



TIF 101

- Within TIF District taxes on "base value" are shared:
 - Percentage of Dec. 2018 tax bill
 - Village - 21%
 - Howard-Suamico School Dist. - 50%
 - Brown County - 25%
 - NWTC - 4%
- Within TIF District, 100% of the taxes on new "incremental value" are kept by the TIF fund to repay TIF investments or use "Pay As You Go" financing for developers



TIF 101

- The fundamental concept of tax increment financing is the “But For” test; **without** the Village’s investments within a TIF district, there would be no new private development that creates new tax base.
- Therefore, the TIF district recaptures 100% of the property taxes on new development value within the TIF district for the life of the TIF to help recover the Village’s TIF investment.



TIF 101

How are TIF Districts Created?

- Village Staff prepares TIF Project Plan (typically with aid of a consultant)
- Plan Commission holds public hearing on TIF Project Plan and makes recommendation to the Village Board
- Village Board approves TIF Project Plan and determines TIF boundary
- Joint Review Board, with representatives from all taxing jurisdictions and one citizen member, must approve TIF Project Plan.
- Process takes about 45-60 days



TIF 101

Types of TIF Districts

Maximum Life

- | | |
|----------------------------|----------|
| 1. Blighted Area District | 27 years |
| 2. Rehabilitation District | 27 years |
| 3. Industrial District | 20 years |
| 4. Mixed-Use District | 20 years |
- Village can make investments (construct infrastructure, build buildings, etc.) in a TIF District up to 5 years before maximum life of TIF District.



TIF 101

- TIF Project Plan can be amended to revise budget, add new projects, and add or subtract territory
- TIF Plan Amendment requires Plan Commission hearing, Village Board approval, Joint Review Board Approval (can be completed in about 45 days)
- New TIF created or old ones amended if the equalized value in all TIFs is 12% or less of entire village equalized value
- TIF can be dissolved once all project costs have been recovered or upon reaching maximum life.



TIF 101

- TIF maximum life can be extended up to 3 years if TIF revenues will not cover all TIF costs
 - Village has two TIFs #3 & #7 may need extending
- TIF life can be extended 1 year after all TIF costs have been recovered if TIF funds are used to improve local housing stock and at least 75% of funds are targeted to affordable housing. State Statutes §66.1105 (6) 1



Using TIF on Projects

WI Stat. 66.1105 2.(f) defines "Project Costs:"

- Capital Costs including public works construction; new buildings; renovation or demolition of existing buildings; clearing and grading of land; environmental clean-up
- Financing costs
- Real property assembly costs
- Professional services
- Imputed administrative costs
- Relocation costs
- Organizational costs



Using TIF on Projects

WI Stat. 66.1105 2.(f) defines "Project Costs:"

- Payments made in the discretion of the local legislative body which are found to be necessary or convenient to the implementation of the Project Plan.
- Pro rated portion of costs of facilities located outside a TIF district that serve land within the TIF district.
- Lead abatement activities
- Project costs incurred within ½ mile of TIF district and within the village limits



Using TIF on Projects

❑ Industrial TIF districts

- Purchase land for industrial park
- Install streets, water & sewer utilities, storm detention ponds, rail infrastructure
- Selling land for less than market value or cost
- Reimbursing industry for expansion costs
- Low interest or forgivable loans for equipment or employee training
- Professional service contract to market industrial park for business attraction



Using TIF on Projects

❑ Blight or Redevelopment TIF Districts

- Land & building acquisition, building demolition, relocation, to assemble sites for redevelopment
- Purchase, renovate, sell existing building for adaptive reuse project
- Relocate or upgrade municipal utilities needed to serve redevelopment project
- Construction of parking facilities needed to support redevelopment activities



Using TIF on Projects

❑ Blight or Redevelopment TIF Districts

- Reimburse developer for agreed upon building renovation costs like elevator for multi-story projects
- Low interest or forgivable loans to restore historic storefronts
- Low interest or forgivable loans to renovate upper floors for re-use
- Professional service contract to market downtown for business attraction



“Pay As You Go” TIF

- TIF created with little or no infrastructure requirements by the village (Omnova property, TIF 9)
- Base value determined as of January 1st of the year TIF created
- Issues with manufacturing assessed values determined in Oct/Nov
- Increment is established in the year following base value determination or after construction of new buildings is completed
- Refund a portion of the developer's property tax bill on an annual basis until a sum certain is met or set a date of terminating the developer agreement (i.e. end of TIF life)



Summary on TIF

1. The “But For” test is crucial to TIF creation and development.
2. Typically, create TIF districts around anchor project.
3. Phase expenditures with private development.
4. Secure TIF investment with Developer Agreement.
5. Developer Agreement needs minimum guarantee.
6. Utilize “Pay as You Go” types TIFs whenever possible.
7. Minimize village investment in construction costs, when possible, as such investment can be speculative with an anchor.