

Tax Incremental Financing

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What is TIF?

- Municipal financing tool to accomplish specific public objectives:
 - Eliminate blight
 - Conserve Neighborhoods
 - Promote Industrial Development
 - Promote Mixed-Use Development



What is TIF?

- Public/Private Partnership
 - Partnership of taxing entities to leverage public benefits that flow from development.
 - Public and private sectors work together to stimulate economic growth by creating conditions that attract private investment to an area.



What TIF Is Not

- Not a Tax Exemption
- Not a Tax Rate Increase
- Not a Tax Rate Differential
- Not an Entitlement
- Not a “Give-away”



Why TIF Was Created

- Federal funding decreased for community development programs
- Allow cities/villages to invest with private sector to stimulate economic growth
- Eliminate inequitable situation that discouraged development
 - cities and villages bore the cost of development, but *all* taxing entities shared the benefit



TIF Districts in Wisconsin

Number of TIDs:

1. Total Number Estimated	2,050
2. Total Number Closed	789
3. Total Active 2018	1,261
4. Creations 2017	70
5. Terminations 2017	47
6. Territory Amendments 2017	23
7. Distressed TIDs 2017	102



TIF Districts in Wisconsin

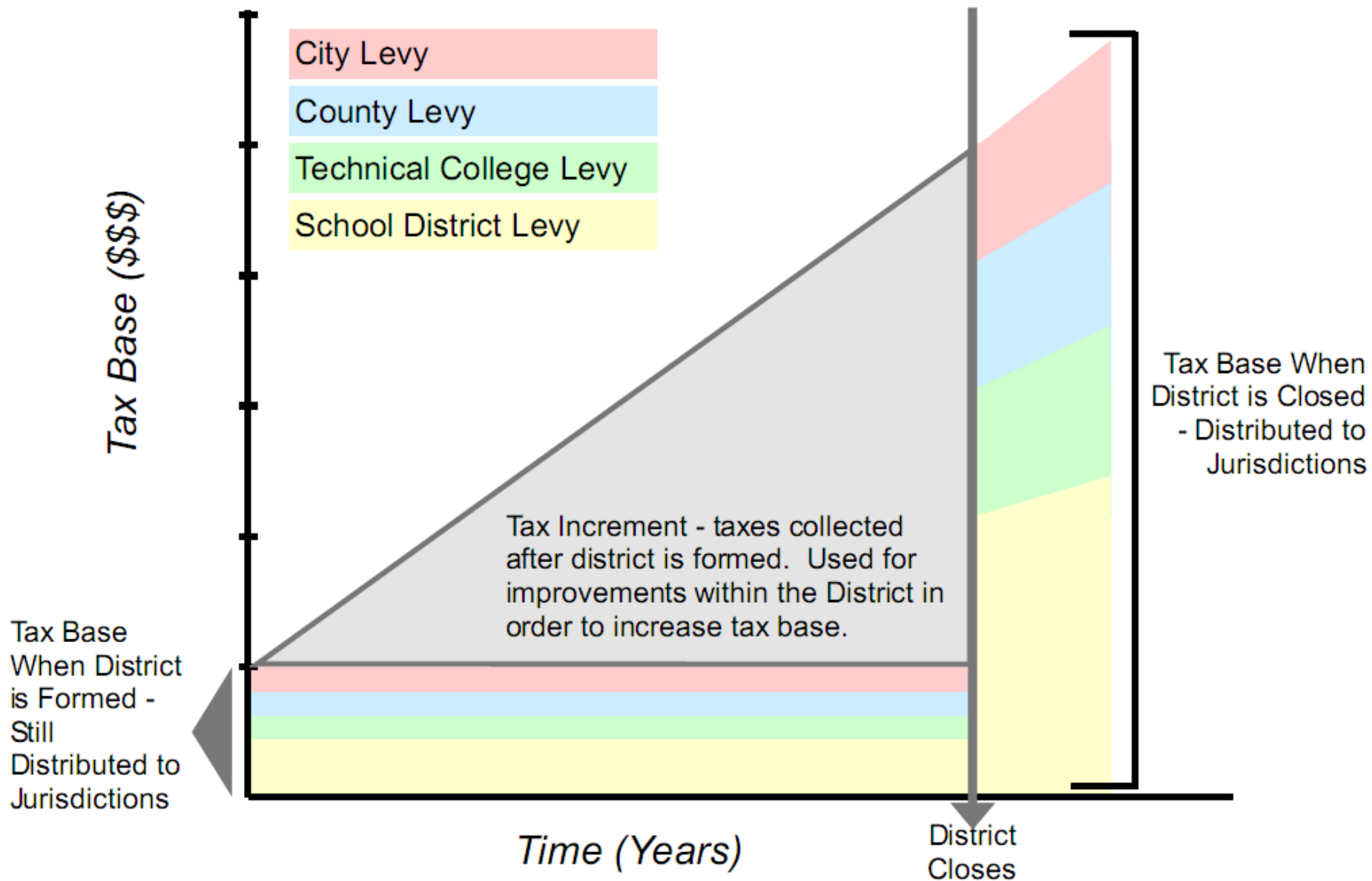
- Approximately 40 – 50 TIDs are created per year and about 20 – 30 are closed per year
- Average TIF terminated in 16.5 years
- 93% of all TIDs are financially successful
- Average Annual Change in Value in a TIF District: 10.8%
- City/Village Average Annual Change in Equalized Value: 7.8%



How TIF Works

- City/Village creates a TIF district
 - Finding must be made that expected development would not occur “but for” TIF.
 - Boundary established within which costs are incurred and new tax base is created.
- Tax allocation is modified
 - Tax allocation on “base value” is unaffected: revenue continues to flow to taxing jurisdictions
 - Tax Increment District (City/Village) receives 100% of tax revenue from *increased* tax base
- Tax revenue on new development is used to pay the expenses for preparing the area for development.

Example of Tax Allocation



I. UNDERUTILIZED PROPERTY

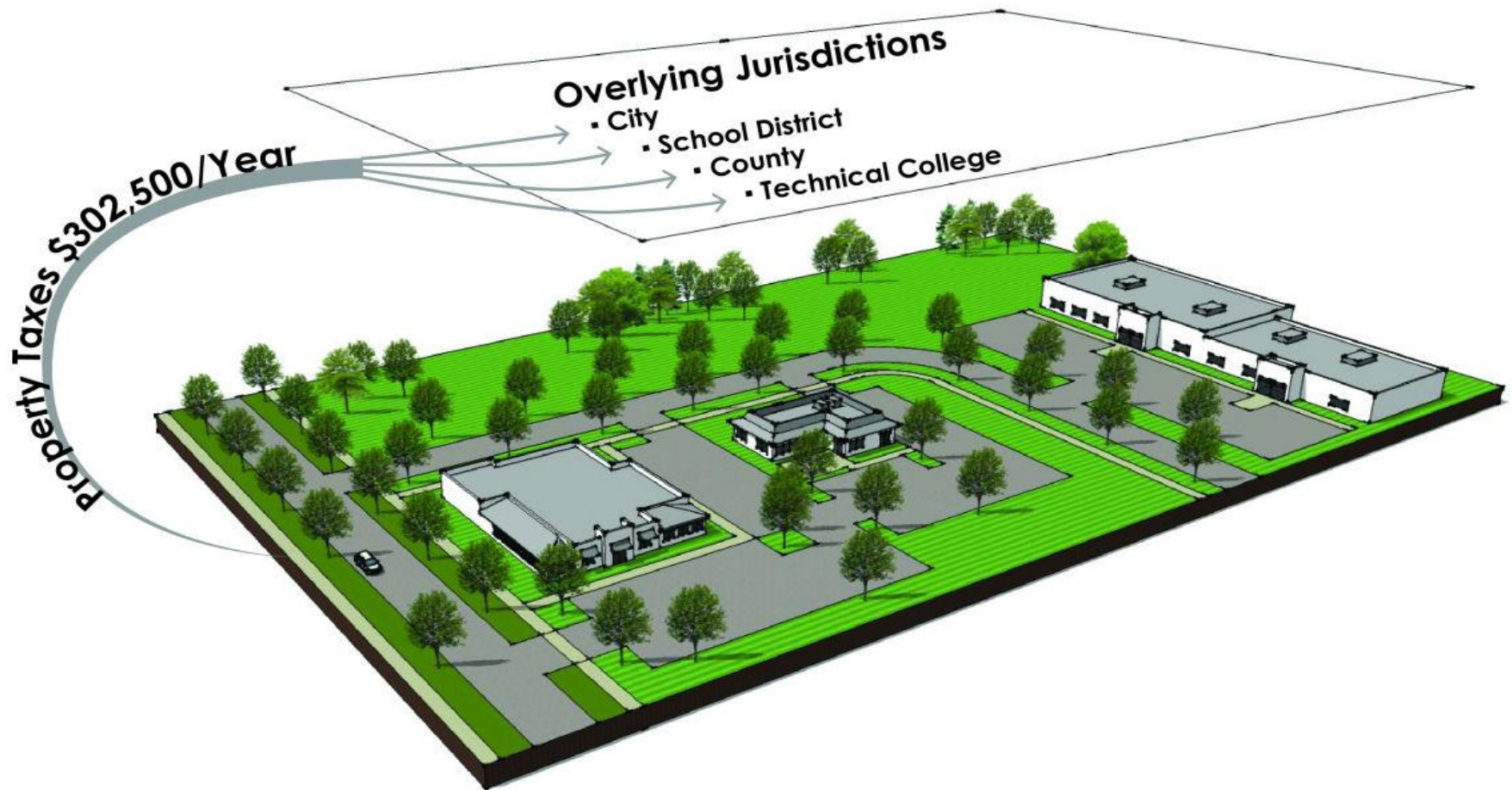


Area could be undeveloped and without public services, or it could be a blighted and under-utilized area.

[illegible]

Site could be intended for industrial development, blight elimination and redevelopment or mixed-use development.

III. TAX INCREMENT DISTRICT DISSOLVES





Statutory Provisions

- 50% or more, by area, of the real property in a district must meet at least one of the following:
 - “blighted area”
 - needs “rehabilitation or conservation work”
 - suitable for “industrial sites” and has been zoned for industrial use
 - Suitable for “mixed-use” development



Statutory Provisions, continued

- Project costs directly relate to:
 - eliminating blight
 - rehabilitating or conserving the area
 - promoting industrial development
 - Promoting mixed-use development
- Enhance the value of other property in the district



Statutory Provisions, continued

- 12% test – no more than 12% of the city's equalized value may be TIF increment when a new district is created.
 - Stoughton currently at 4.29%
- District may not include wetlands
- Whole parcels only



The Joint Review Board

The Board consists of five members representing the overlying property tax jurisdictions plus an “at large” member:

- Municipality
- School District
- Technical College
- County
- At Large



Joint Review Board, continued

- JRB will approve or reject TIF based upon:
 - Whether development would occur without TIF – the “but for” provision
 - Whether economic benefits are sufficient to compensate for costs
 - Whether benefits outweigh the anticipated loss in tax revenues of taxing entities



Eligible Project Costs

- Organizational Costs
- Administrative Costs
- Financial Costs
- Professional Services
- Environmental Remediation
- Property Cost “Write-down”
- Development Incentives



Eligible Project Costs, cont'd

- Costs to Promote Development or Redevelopment
 - Acquisition/Relocation
 - Demolition
 - Site Improvements
 - Infrastructure
 - Advertising and Promotion



Creation Procedure

- Planning Commission or Development Authority Prepares District Boundaries & Project Plan
- Joint Review Board Reviews Proposal
- Public Hearing
 - District Boundaries
 - Project Plan
 - Creation of District



Creation Procedure, continued

- Planning Commission or Development Authority Adopts District Boundaries & Project Plan
- Governing Body Adopts District Boundaries & Project Plan by Resolution - Creating District
- Joint Review Board Reviews Proposal & Approves or Rejects District

General Information

- Maximum expenditure period is 5 years less than the life of the TID
- The only expenditures allowed *prior* to creation of district are those related to planning/creating the district
- Termination of TID
 - When revenue equals expenditures
 - 20 years after creation for industrial & mixed-use, 23 years 1995 – 2004, 27 years <1995
 - 27 years after creation for blight elimination & neighborhood conservation



Issues to Keep In Mind

- Need - Public Benefit vs. Private Windfall
- Appropriate Payback Period
- Broader Fiscal Impact Including Overlying Taxing Jurisdictions (Housing & Schools)
- Development Impacts – Traffic, Jobs, Environmental, Public Services
- Quality of Development
- Consistency with Other Plans



Risk Management

- Speculative TIDs
- TIDs with projects “in hand”
- Risk is always there - understand and manage it:
 - Timing and Phasing of Expenditures Relative to Expected Increment
 - Development Agreements
 - Commitments of Community
 - Commitments of Business/Developer



Risk Management, continued

- Methods to reduce risk through development agreements
 - Municipal mortgage on property until tax base is created
 - Developer guarantee of increment
 - Insurance for property damage
 - Performance bond
 - Pay as you go



Recent Changes to TIF

- ❑ Expenditures allowed within ½ mile of TID boundary
- ❑ When TIF is ready to close, it can be left open for an additional year to fund affordable housing and home rehab programs.

Stoughton TID Summary

TID #	TID Created	TID Closes	Life	Expenditure Allowed in Half-Mile Radius?	Funding For Housing Improve Program?	Funding for Façade Improve Program?	RDA Funds?	2017 Tax Increment Value
#3	1993	2020	27	YES	No	NONE	NONE	\$20,599,100
#4	1999	2026	27	YES	No	YES	\$150,000	\$7,644,300
#5	2010	2037/2040	27	YES	Yes	YES	\$600,000	\$-1,815,400
#6	2015	2035	20	YES	No	NONE	NONE	\$-10,000
#7	2015	2035	20	YES	No	NONE	NONE	\$17,426,500



Questions?

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