

TIF 101

With Attitude!



Planner Jokes



What's in a name?

- TIF
 - Tax Incremental Finance
 - A program used to entice new development & new tax base
- TID
 - Tax Incremental Finance District
 - The actual area created for the new development

Can be used interchangeably!

State Statutes

- 66.1105 of Wisconsin State Statutes
 - Rules for Villages and Cities
- 60.85 of Wis. Stats.
 - Allows Towns to create districts
- 66.1106 of Wis. Stats.
 - Environmental remediation districts

The first TIF law was enacted in 1952 in California

Terms

Term	Definition
Base Value	Equalized value of the district on January 1 of the year created.
Tax Increment	Equalized value of the district minus the base value.

Why create a TIF District?

- Incentives for economic development
 - Increase equalized values
 - Increase jobs
- Provide a financing mechanism for:
 - Infrastructure
 - Blight removal
- Assist in growth of the community

*48 States have
TIF Districts!*

Benefits

WI TIF law began in 1975

- Increases property values
- Increase employment
- Promotes development within a community
- Those benefitting directly help pay for development costs
- Taxing entities become partners to promote expansion
- A tool to provide incentives
- Development would not occur without assistance from the community

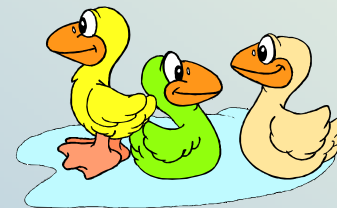
Considerations

TIF levies are now more than 3.5% of all property taxes *WI Tax Payers Alliance*

- “But for”
 - Would the development occur without the use of TIF?
- Is the proposed development beneficial for the community?
- How will the development impact traffic, safety, utilities, housing?
- Are jobs being created? Are they good pay with benefits?
- Will the TIF incentive pay back?
- Will the development be a catalyst for further development?

Risky Business

- Don't over-invest
 - Use TIF to fund infrastructure improvements
 - Makes the site more attractive for business
 - “build it, they will come”
 - Have the “ducks in a row” but don't construct without the business
 - Combine with grants where possible to reduce TIF expenses
 - Phase the projects



Risky Business

- Development risks
 - Don't get stuck "holding the bag"
 - Use development agreements to limit conflict and litigation
 - Require developer to make up payments if development doesn't occur as planned

A district lasts 16.5 years on average
WI Taxpayers Alliance

Common Types of Projects

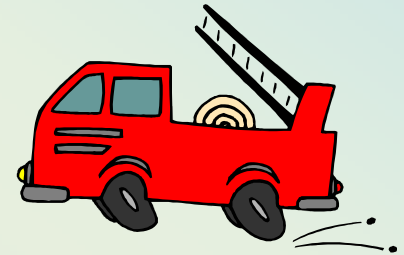


- ✓ Site improvements
- ✓ Land acquisition
- ✓ Parking lots
- ✓ Water & sewer
- ✓ Streets
- ✓ Lighting
- ✓ Administrative costs
- ✓ Utility hook-ups
- ✓ Storm sewer
- ✓ Landscaping
- ✓ Sidewalks
- ✓ Relocation costs
- ✓ Demolition
- ✓ Power/gas extensions

But that doesn't mean.....

a community can assist with:

- Administrative buildings
- Fire/Police buildings
- Libraries
- Community/Recreation buildings
- General government operating expenses



Types of Districts

- Industrial
- Blighted or Redevelopment
- Mixed Use
- Environmental
- Town

There were 1,071 TIF districts at the end of 2009!

Industrial Districts

- Common district in Wisconsin
- 51% of land suitable and *zoned* for industrial development
- All land can be vacant
- Land suitable & zoned must remain industrial for the life of the district



Blighted District



- 51% of land must be blighted or in need of rehabilitation
 - Blighted = dilapidated, deteriorated, aged, obsolete platting, impairs sound growth of the community
- Only 25% of the land may be vacant
- Often used in downtowns or older industrial areas
- Could be created for just one lot

Mixed Use District



- A newer type of district
- 51% of the land must be suitable for two of the following (no restriction on the % of allocation):
 - Industrial
 - Commercial
 - Residential
- Newly platted residential is limited to no more than 35% of the area of the district
 - Project costs for housing are allowed if:
 - Housing density of at least 3 units/acre
 - Located in a conservation subdivision or traditional neighborhood

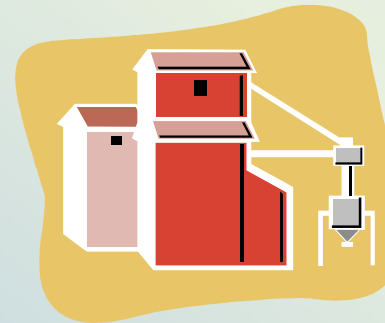
Environmental TIF

- Environmental Remediation Tax Increment Financing
 - 66.1106 State Statutes
- Investigation, removal, containment, and monitoring of environmental pollution
- Board/Council Resolution
 - Joint Review Board approval



TIF or TAF

- A district created in a town is called a “TAF”
 - Tourism, agriculture, & forestry
- Not less than 75% of the area is to be used for one of the following:
 - Agricultural
 - Forestry
 - Manufacturing
 - Tourism
- Uses must be covered under statute allowable SIC codes
 - Standard industrial code
 - Statute is very limited
- Many uses do not qualify
 - Limited number of districts have been created



TIF Timing

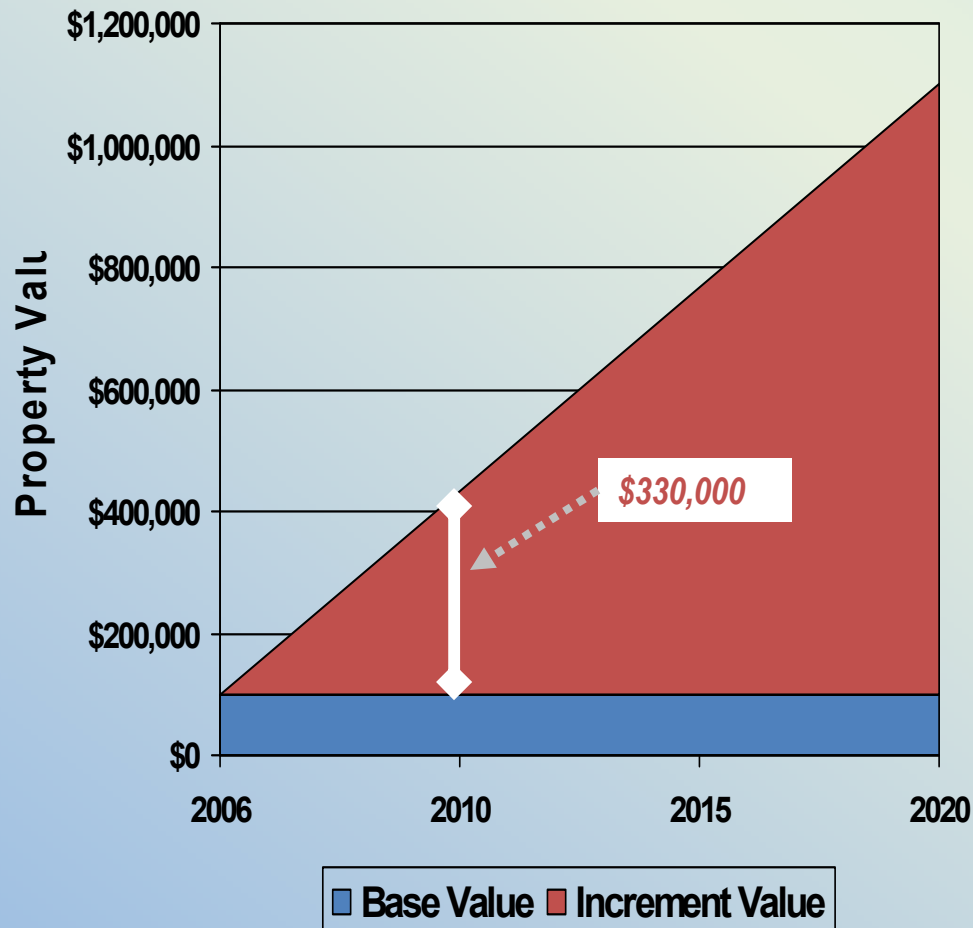
Created after 10-1-04	Industrial	Blighted	Mixed Use	TAF
Max Life	20 years (+3)	27 years (+3)	20 years (+3)	5 years
Expend. Period	15 years	22 years	15 years	16 years
Created before 10-1-95	Industrial	Blighted		
Max Life	27 years	27 years		
Expend. Period	22 years	22 years		
Created 9-30-95 to 10-1-04	Industrial	Blighted		
Max Life	23 years	27 years (+4)		
Expend. Period	18 years	22 years		

Equalized Value Test

equalized value of the proposed TID base
+ the value increment of all existing TIDs
< 12% of the municipality's total equalized

*Don't forget:
personal property counts in the value*

TIF Financing



Base Value - \$100,000

Tax Entity	Mill Rate	Taxes
Local	\$5.00	\$500
County	\$3.50	\$350
School	\$9.50	\$950
Vo Tech	\$2.00	\$200
Total	\$20.00	\$2,000

Increment Value - \$330,000

Tax Entity	Mill Rate	Taxes
TIF	\$20.00	\$6,600
Local	\$0.00	\$0
County	\$0.00	\$0
School	\$0.00	\$0
Vo Tech	\$0.00	\$0
Total	\$20.00	\$6,600

Amendments

- 4 boundary amendments allowed
 - Applies to existing and new districts
 - May occur anytime during the life of the district
 - Can add or subtract territory
 - Subtractions cannot make district non-contiguous
 - Expenditure period remains the same for amended and original area
- Time extension amendment
 - JRB has the say
 - If community provides financial detail that district will not pay off without extension, JRB must concur



Donoring (aka Pooling)

Allocation Amendment

- Donoring allowed between existing and new districts
- Joint Review Board (JRB) must approve
- Donor district must prove there is sufficient revenues to pay all project costs
 - Prove there is sufficient surplus revenues to pay some or all eligible costs of the recipient district
- Same process as an amendment

Donoring (aka Pooling)

- First type
 - Donor & recipient district were created before Oct. 1, 1995
 - 10 year donor only
- Second type
 - An *industrial* district gives excess funds to a *blighted* district
 - Recipient district could also be mixed use if it includes low-cost housing or an environmental TIF District
 - Donor district must satisfy current year debt service & project costs prior to allocating funds
 - Donor district cannot receive extension of its life

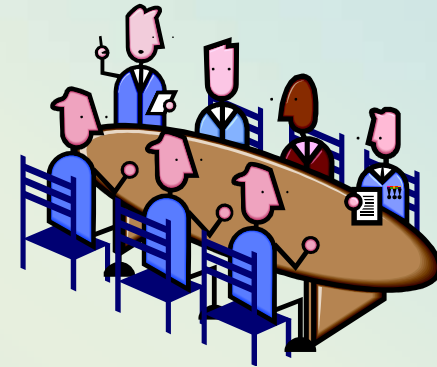
Joint Review Board

- Temporary or standing JRB
 - Standing JRB can be disbanded by community at anytime
 - Two meetings required each time even if have a standing JRB
- Members:
 - School
 - Vo Tech
 - County
 - City/Village
 - Member-a-large appointed by JRB



Joint Review Board

- Representatives are:
 - School Board President or designee
 - County Board Chair or designee
 - Mayor/Village President or designee
 - Technical College Director or designee
 - Member-at-large chosen at first meeting
- If designees are used, preference must be given to persons with knowledge of local government finance:
 - Finance director
 - Administrator
 - Treasurer



Joint Review Board



- Prior to taking action, JRB (by majority vote) may ask the Department of Revenue to review a specific fact or item it believes is incomplete or inaccurate
- Request to DOR for review must be specific
- DOR has 10 days to review & give decision
 - If no factual inaccuracies, JRB has 10 days to submit a decision
 - If factual inaccuracies, community must resolve the problem & resubmit to JRB (which then has 10 days)

Joint Review Board



- New Requirement!!
 - Class 1 notice is required for all Joint Review Board meetings
- Joint Review Board meets prior to Plan Commission Hearing
- Final meeting follows Board/Council approval
- JRB has the final say

Distressed TIF Districts

- Law created in 2009 to assist financially struggling TIF districts
- Allows a TID to be declared distressed:
 - Property values fell or became stagnant
 - Revenue shortfall for debt payments
- As of April 2011, 12 declarations have been made
 - Most are in smaller communities



Is your district distressed?

- Created prior to October 1, 2008?
- In existence for 7 years?
- Not amended after October 1, 2009?
- Projected increments insufficient to pay costs and debt?
- Severely Distressed?
 - Increment must have declined 25% from the highest increment year



I'm so distressed!



Help!

- **Benefits:**
 - The district life is extended by 10 years
 - 40 years total if severely distressed
 - Distressed district receives donor funds from other districts
 - Even industrial districts
 - Life of donating district can be extended
- **Restrictions:**
 - District cannot not be amended for boundary or new project costs
 - No funds expended outside the boundary
 - District cannot become a donor district
- **Analyze all other options first**

Declaration of Distress

- Municipality holds a public hearing & passes resolution declaring the district distressed
 - Specific financial information highlighting the deficit required during this process
- A normal project plan amendment would then occur to make the district distressed
- Typically, a donor district amendment would also occur
- Process must be complete by **October 1, 2011**

There's always hope



- SB 55 was introduced on April 6, 2011
& AB 87 was introduced on April 12, 2011
 - Has been referred to the Ways & Means Committee
- Would delete the requirement that a district must be in place for 7 years prior to declaring the TIF district distressed
- This would allow many more districts to make the distressed declaration
- Contact your legislator and urge them to pass this bill

Reminders

- If creating/amending a district
 - Board of Review must be before October 31
 - Preferably by September 15
 - Reports are due to the State by **October 31**
 - Give the assessor time to complete required forms
 - ½ mile rule
 - This allows projects outside of the district to be paid for with TIF funds
 - Must be included in the project plan and approved by the JRB



Reminders

- Municipality has **60 days** to report a closing of a TID to DOR
- Submit the following upon closure:
 - Final accounting of all expenditures
 - Total projects costs incurred by the municipality
 - Total tax increment received by the municipality
 - Total project cost, if any, not paid that became obligations of the municipality
- Penalty for not submitting: no certification of new TIDs
- Excess funds are divided among overlying taxing jurisdictions based on the most recent tax levy proportion



Reminders

- Department of Revenue charges \$1,000 for certification of:
 - The base value of a new TID
 - Re-certification of base value from an amendment
 - Addition
 - Or subtraction
 - Addition & subtraction in 1 amendment is \$2,000
- Fee does not apply to a project plan amendment with no border change



Don't Forget

- E-mail sign-up page
 - <http://www.revenue.wi.gov/html/lists.html>
- Reporting
 - Certification reports are due May 15
 - \$150 fee every year for certification
 - TIF eligible expense
- By May 1, an annual report is due to overlying taxing jurisdictions
 - Can be an audit
- 3 audits are required
 - After 30% of expenditures
 - 12 months after end of expenditure period
 - 12 months after termination of TID



Don't Forget

- Annexation
 - If a community annexes land to put in a TIF District, must pay 5 years of town's taxes
 - Only town's share of tax bill
 - Is a TID eligible expense
- Cash Grants
 - Must be mentioned in the hearing notice
 - Can only be given if developer agreement signed
 - Developer agreement must be sent to JRB



Good Idea



If the developer wants TIF assistance:

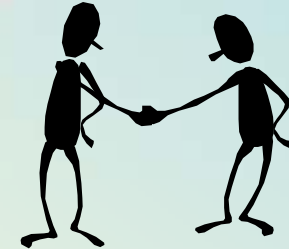
- Should be a shared risk
 - Developer should have a majority of the risk
 - Learn how to protect your community
- Financing gap
 - Make sure the developer really needs the funding
 - A community can review developer's financial information

Developer's Agreements

- Recommended if providing TIF financing
 - Required if a cash grant is given
- Protect the community's interest
 - Minimum tax agreement
 - This can affect the financing
 - May make bonds taxable



Developer's Agreements



- Traditional Financing
 - Community borrows funds & completes construction
 - Project is paid for by TIF district up front & taxes collected later to pay for debt
- PAYGO
 - “Pay As You GO”
 - Developer finances the project
 - Developer is paid back in future years from tax increment revenue *if* funds are available
 - No risk—developer must create value in order to get funding
 - Often used for on-site improvements

Be Creative

- Create a TIF policy to use when development approaches the community
 - Based on value
 - Look at job creation
 - Add special provisions
 - Example: extra \$ if provide affordable housing units
- Be willing to be flexible



Let's just say...

- ...the industrial land is sold
 - TID funds were used to buy and/or develop the land
 - The municipality wants to put the revenue in the general fund

Funds must be placed
in the TID fund to offset
other project costs

How about...

- ...paying for a water tower that is across town from the TIF District?
 - Proportionate share of costs can be funded by TID
 - Share depends on how much the tower benefits the TID
- ...creating multiple TIDs in one year if collectively they exceed the 12% limit?
 - Each TID must pass the test individually
 - So if close to 12%, may be the time to create more than one district

If only I had thought of that...

The *City of Osseo* created a blighted district in the downtown area

- The new admin / police / community center was included in the district
 - NOTE: TIF funds cannot be used for the new building
- The old building was dilapidated
- Parking was needed for downtown
- TIF funding was used to pay for demolition & parking areas for the downtown
- The industrial TIF district donored funds to the new district to assist with project costs

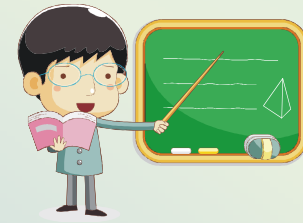
We could do that...

- Create a blighted district downtown
 - Use a successful industrial district to donor funds
 - Allows a community to upgrade their downtown
 - Streetscape
 - Streets
 - Utilities
 - Storefront improvements
- Use TIF to leverage grant dollars
 - Combine with DOT-TEA and/or CDBG-PFED funds



Just an idea...

- Include job-training as an eligible TIF expense
 - Helps create living-wage job opportunities for residents
 - Another incentive for businesses to expand
- Provide small loan or grants
 - Helps the locally owned business
 - Incentive for very small businesses
 - Could be used for simple façade upgrades



That would be nice...



Create a Mixed Use District

- A developer wishes to create a new subdivision
(could be considered a fairy tale in 2011)
- The community needs more industrial land
- Put both parcels in the new TIF district
 - Must be contiguous
 - Tax increment from developer's homes helps community pay for the industrial land & infrastructure

The End!

- If you have any questions:

Susan Plakus, DOR, at (608) 261-5335

tif@revenue.wi.gov

<http://www.revenue.wi.gov/slf/tif.html>

Udgangen

El final



1-800-472-7372

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