

Tax Incremental Financing



HISTORY OF TIF

Created in 1975 to spur industrial development and redevelopment of urban areas.

Many changes over the years

Single largest modification was in 2003-2004.

HOW DOES TIF WORK?

Tax Incremental Finance, or TIF, is a financing tool that allows municipalities to invest in infrastructure and other improvements, and pay for these investments by capturing property tax revenue from the newly developed property.

This means that all new property taxes from all the taxing entities, not just the city's portion.

JOINT REVIEW BOARD

All taxing entities provide a member to this board.

The board has final local authority to determine whether or not to approve the TIF.

TIF RULES TO WATCH

12% test

Developer's agreement?

Type of TIF—affects the length

- Redevelopment—blight determination
- Industrial
- Mixed-Use
- Environmental

TIF REVIEW CONSIDERATION

The “but for” test. The members of the JRB must make the determination that this project would not occur, “but for” the TIF.

Many times more than simply a financial determination, review the infrastructure and the timelines.

TIF CONCERNS 2010 CHANGES

Distressed TIF legislation passed in 2010

- Property values fell and some TIFs went underwater
- Extended life of distressed TIF
- Allows donations from other TIFs to keep afloat struggling TIFs
- Prevent a community from creating another TIF if they have one designated distressed

TIF 2016 CHANGES

- **Act 256** - Makes several technical changes including:
 - Modifies the industrial zoning requirements to only apply to industrial use tax increment districts;
 - Changes the maximum review period the JRB has to approve a resolution on a TID from 30 days to 45 days;
 - Amends the notice requirement of the planning commission from a class 2 notice to a class 1 notice when it comes to announcing a notice of amendment;
 - Deletes obsolete references in the current statute.
- **Act 257** - Requires a standing Joint Review Board to be established in order for a TID to be created, and remain in existence during the lifespan of the TID. In addition, this bill modifies annual reporting requirements, incorporates penalties for not reporting annually and repeals the DOR process to review industry-specific town TIDs.

TIF 2016 CHANGES (con't)

- **Act 254** - Allows a local entity, after the review and approval of the Joint Review Board, to make project plan amendments as well as extend the life of a TID by five years. Under the bill, the amendments and/or time extension is allowed if the annual or total amount of the tax increments over the life of the TID are negatively impacted by one or more of the following: (1) amendments to TIF law (§66.1105); (2) changes made by DOR to calculate the equalized valuation method; and (3) 2013 Wisconsin Act 145, which reduced technical college levies and replaced the funding with state aid.
- **Act 255** - Removes the restriction that property standing vacant may not comprise more than 25 percent of the area in a TID. **In addition, this law removes the requirement that all municipal owned land within a TID be assessed for property tax purposes and put in the base value calculations.**

Manitowoc Opportunity

- September 2009 Master Plan
 - Redevelopment of Fairgrounds
 - Meijer Project the means to implement the plan

Fairground Redevelopment



Vandewalle & Associates, Inc.
September 2009

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How TIF Can Help

- Act 255 Impact
 - \$4.6 million change in value (\$97,000/year TIF revenue)
 - Creates revenue stream for comprehensive planning and TIF plan creation.

TIF Continued

- Meijer Project
 - \$15 million in new value generates \$316,000 in new taxes.
 - Annual TIF cash flow \$400,000+
 - The revenue to implement the plan

Fairground Redevelopment (Public Investment)

- TIF Eligible Expenses
 - Fairground Relocation
 - Redevelopment Plan
 - Planned Unit Development
 - Infrastructure
 - Upgraded Expo Center
 - Consultant fees

Public Benefit

- County would have 45 acres of improved business park land available for sale and a new Fairground
- The highest profile interchange in the county is put to its highest and best use
- Increased property tax base

Timing is Critical

- TIF must be created before October 1st
 - Base value is determined by ownership on January 1, 2016 if created by September 30th
 - Take advantage of Act 255

QUESTIONS?