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!
• Tax Increment Finance has been around since the early 50’s

• Currently 47 states allow for Tax Increment Finance as a tool to foster economic development & redevelopment
# Terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Value</td>
<td>Equalized value of the TIF district on January 1 of the year created.</td>
</tr>
<tr>
<td>Tax Increment</td>
<td>Equalized value of the TIF district minus the base value.</td>
</tr>
</tbody>
</table>
TIF Financing

Base Value - $100,000

<table>
<thead>
<tr>
<th>Tax Entity</th>
<th>Mill Rate</th>
<th>Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local</td>
<td>$5.00</td>
<td>$500</td>
</tr>
<tr>
<td>County</td>
<td>$3.50</td>
<td>$350</td>
</tr>
<tr>
<td>School</td>
<td>$9.50</td>
<td>$950</td>
</tr>
<tr>
<td>Vo Tech</td>
<td>$2.00</td>
<td>$200</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$20.00</strong></td>
<td><strong>$2,000</strong></td>
</tr>
</tbody>
</table>

Increment Value - $330,000

<table>
<thead>
<tr>
<th>Tax Entity</th>
<th>Mill Rate</th>
<th>Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>TIF</td>
<td>$20.00</td>
<td>$6,600</td>
</tr>
<tr>
<td>Local</td>
<td>$0.00</td>
<td>$0</td>
</tr>
<tr>
<td>County</td>
<td>$0.00</td>
<td>$0</td>
</tr>
<tr>
<td>School</td>
<td>$0.00</td>
<td>$0</td>
</tr>
<tr>
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<td>$0.00</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$20.00</strong></td>
<td><strong>$6,600</strong></td>
</tr>
</tbody>
</table>
Deal Structures

- **Traditional Financing**
  - Community borrows funds & completes construction
  - Project is paid for 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

- **Combination of the two**
So why use TIF?

• Increases “new” property values
• Increase employment
• Promotes development within a community
• Those benefitting directly help pay for development costs
• A tool to provide incentives
• Development would not occur without assistance from the community

WI TIF law began in 1975
Considerations

• “But for”
  - Would the development occur without the use of TIF?
• Will the development be a catalyst for further development?
• 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?

TIF levies are now more than 3.5% of all property taxes

WI Tax Payers Alliance

Cedar Corporation
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
TIF Creation Process

1. Joint Review Board meets
   Members: School, Vo Tech, County, City/Village, Member-a-large appointed by JRB

2. Planning Commission
   Holds Public Hearing

3. Village Board / City Council adopts

4. Joint Review Board Approves
   JRB has the final say

Usually takes 45 – 60 days
Types of Districts

• Industrial
• Blighted or Redevelopment
• Mixed Use
• Environmental
• Town or TAF Districts
  • AKA: Tourism, Agricultural, Forestry, manufacturing
## Types of TIF Districts

<table>
<thead>
<tr>
<th>Created after 10-1-04</th>
<th>Industrial</th>
<th>Blighted</th>
<th>Mixed Use</th>
<th>TAF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Max Life</td>
<td>20 years (+3)</td>
<td>27 years (+3)</td>
<td>20 years (+3)</td>
<td>16 years</td>
</tr>
<tr>
<td>Expend. Period</td>
<td>15 years</td>
<td>22 years</td>
<td>15 years</td>
<td>5 years</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Created before 10-1-95</th>
<th>Industrial</th>
<th>Blighted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Max Life</td>
<td>27 years</td>
<td>27 years</td>
</tr>
<tr>
<td>Expend. Period</td>
<td>22 years</td>
<td>22 years</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Created 9-30-95 to 10-1-04</th>
<th>Industrial</th>
<th>Blighted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Max Life</td>
<td>23 years</td>
<td>27 years (+4)</td>
</tr>
<tr>
<td>Expend. Period</td>
<td>18 years</td>
<td>22 years</td>
</tr>
</tbody>
</table>
Equalized Value Test

**TID**
- when creating a new or amending a district total equalized value of proposed district < 12%

**TAF**
- When creating new district (first district) total equalized value of proposed district < 7%
- Equalized value of the proposed TID base + the value increment of all existing TIDs must be < 5% of the Town’s total equalized value

Don’t forget:
personal property counts in the value
TAF or Town District

• 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 during the life of the district:
  • Tourism
  • Agricultural
  • Forestry
  • Manufacturing (must be zoned industrial)
• Uses must be covered under statute allowable NAIC codes
  • National American Industry Classification System
  • Statute is very limited
• Many uses do not qualify
  • Limited number of districts have been created
Manufacturing Projects:

- 1161 Animal Slaughtering and Processing
- 321 Wood Product Manufacturing
  - 3211 Sawmills and Wood Preservation
  - 32121 Veneer, Plywood, and Engineered Wood Product Manufacturing
    - 321214 Truss Manufacturing
    - 321219 Reconstituted Wood Product Manufacturing
- 32191 Millwork
  - 321911 Wood Window and Door Manufacturing
  - 321912 Cut Stock, Resawing Lumber, and Planning
  - 321918 Other Millwork (including Flooring)
- 32192 Wood Container and Pallet Manufacturing
- 321991 Manufactured Home (Mobile Home) Manufacturing
- 321992 Prefabricated Wood Building Manufacturing
- 321999 All Other Miscellaneous Wood Product Manufacturing
Town Districts

- New law as of April 6, 2014
- If a Town has an equalized value over $500 million,
- AND a population over 3,500,
- AND sewer service will be provided
- AND Town enters into an annexation plan with the nearest municipality

Then, Town can follow normal city/village TIF rules
TIF Assistance...

Should be a shared risk

- Developer should have a majority of the risk
- Learn how to protect your community

Used to Finance the “GAP”

- Make sure the developer really needs the funding
- A community can review developer’s financial information
Developer’s Agreements

• Don’t get stuck “holding the bag”

• Use development agreements to limit conflict and litigation
  • Recommended if providing TIF financing
  • Required if a cash grant is given

• Protect the community’s interest
  • Require developer to make up payments if development doesn’t occur as planned
Don’t Over-Invest

• Have “ducks in a row” but don’t construct site improvements without the business
  • Use TIF to fund infrastructure improvements only when project is ready to proceed
  • Combine with grants where possible to reduce TIF expenses
  • Phase the projects
The End!

If you have any questions:
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