



# **Tax Incremental Finance - 101**

Momentum West  
September 26, 2017

# What's in a name?

Can be  
used  
interchange  
ably!

- 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

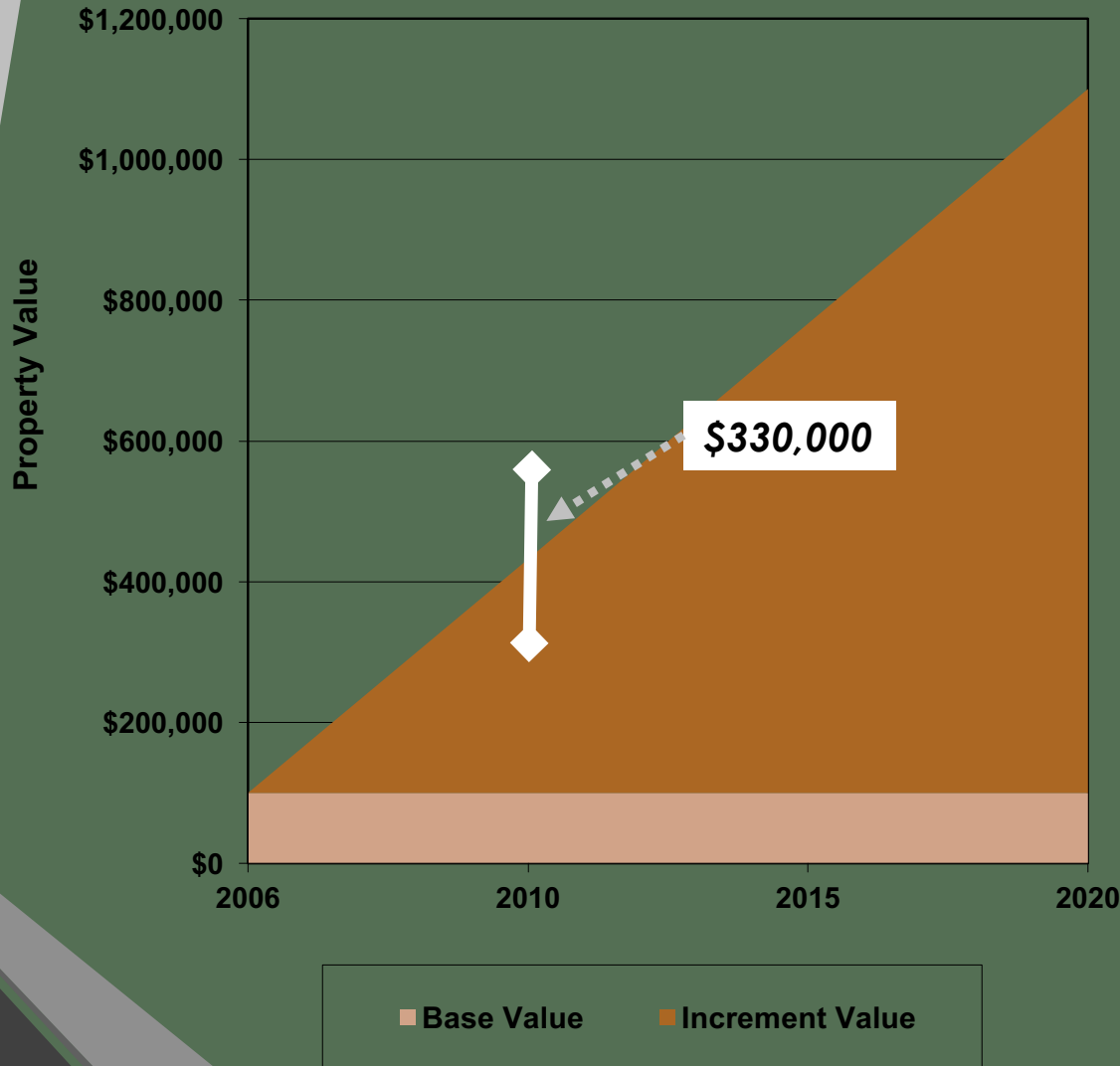


- Tax Increment Finance has been around since the early 50's
- Currently 47 states allow for Tax Increment Finance as a tool to foster economic development & redevelopment

# Terms

Term	Definition
Base Value	Equalized value of the TIF district on January 1 of the year created.
Tax Increment	Equalized value of the TIF district minus the base 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
<b>Total</b>	<b>\$20.00</b>	<b>\$2,000</b>

## 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
<b>Total</b>	<b>\$20.00</b>	<b>\$6,600</b>

# 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?

WI TIF law began in 1975

- 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

# 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?
- 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?



# 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

There were 1,275 active TID's as of May 18, 2017!

- Industrial
- Blighted or Redevelopment
- Mixed Use
- Environmental
- Town or TAF Districts
  - AKA: Tourism, Agricultural, Forestry, manufacturing

# Types of TIF Districts

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

# Equalized Value Test

## TID

- when creating a new or amending a district total equalized value of proposed district  $< 12\%$  .

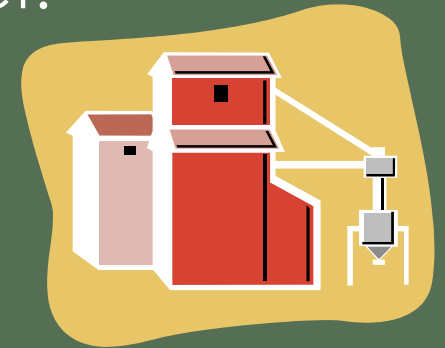
## TAF

- 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



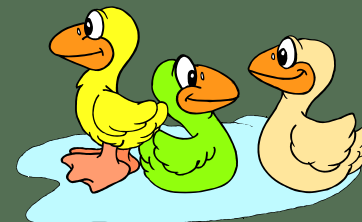
# Developer's Agreements

- 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:

Seth Hudson

715-235-9081

1-800-472-7372

[Seth.Hudson@cedarcorp.com](mailto:Seth.Hudson@cedarcorp.com)

