

Tax Incremental Finance Review Boards Role of Counties and Schools

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Wisconsin Tax Increment Finance Law (Adopted in 1975 – following 1974 recession)

- Enabled cities and villages to use TIF for:
 - Promoting development and redevelopment by eliminating blight
 - Rehabilitating depressed areas
 - Promoting industrial growth
- Legislative finding of the inequity of municipalities funding development costs while all overlying tax districts benefit from the resulting tax base

TIF Law Amended in 1981

- Legislature directed LAB to conduct review of law to determine uses by municipalities
- Major findings addressed in 1981 amendment:
 - Large portions of vacant and farmland being declared blight
 - Funding projects unrelated to eliminating blight or promoting industrial development
 - Funding municipal projects completed before TID was created
- Audits required of TID status at periodic times after creation

Joint Review Board Created (1983)

Five-Member Board to Review/Approve TIDs

- Representing: Municipality, County, School District, Technical College District and Elect Citizen Member
- Requires majority vote for TID approval with three statutory criteria:
 1. Whether the development would expect to occur without TIF
 2. Whether the economic benefits of the TID are sufficient to justify project costs
 3. Whether the benefits of the proposal outweigh the anticipated tax increments from the overlying tax districts
 4. How much the developer is investing in the project vs the TID project costs

Joint Review Board Considerations (Incorporates Issues Related to Statutory Criteria)

- Do expenditures relate directly to obstacles to development?
- Will expenditures promote a long-term sustained development?
- Is there a public purpose other than just tax base expansion?
 - Goes beyond “but for” – Does it merit TIF treatment?
 - Fulfills affordable/workforce housing needs
- Types of jobs development will provide: Retail vs Manufacturing
- ROI of entire project – Multiplier effect inside + outside of TID boundaries
- Shortest time possible for desired development to pay project costs.
 - Downtown rehab takes more time than greenfields

Examples of Positive TIDs

- City of New Berlin: Westridge – Closed in < 10 years
 - Consideration given to environmental concerns, vehicle/pedestrian traffic ease
 - Long-term viability of development
- Village of Menomonee Falls: Kohl's National HQ – Closed in 10 years
 - Expansion expected past TID life
 - Major multiplier effect
 - Consolidated employees at campus
 - Growth of upper income positions
 - Long-term viability of development

Examples of Positive TIDs

- City of Waukesha: Waukesha Electric
 - Major redevelopment expansion
 - High-paying manufacturing jobs
 - Maintained headquarters in Wisconsin
 - Supplier companies located/relocated near campus
- City of Oconomowoc: Pabst Farms – Closed in 15 years
 - Two major distribution centers in TID with many good-paying jobs
 - Single-family developments adjacent but outside of the TID
 - Like Westridge, addresses environmental, vehicle, bicycle and pedestrian traffic considerations
- Downtown & Remediation TIDs: Have supported most proposed. Alternative is no redevelopment and tax base declines. Super TIDs, however, often unsuccessful.

Commentary

- The original legislation did not contemplate DOR enforcing anything other than what's specifically in statutes
- Lack of oversight on implementation
 - Municipality stopped levying TID value without dissolving TID – Lowered overlying taxes for municipal property owners
 - Municipality use of TID funds to provide construction loan for hotel. Project plan listed incentive. Hotel went into bankruptcy with TID absorbing over \$4 million loss.
- The vast majority of TIDs in Waukesha County are well-conceived, well-planned and follow the rules
 - TIF districts' increment value exceed \$1 billion
 - Only 2% of total value, but new construction and value growth much higher than percentage would suggest