State Senator
Rick Gudex
District 18

October 8, 2015

To: Members of the Assembly Ways and Means Committee
From: Sen. Rick Gudex
Re: Assembly Bills 131,132,133,135, & 136

Mr. Chairman and members, Thank you for holding this important hearing today. I apologize for not being with you today as I am chairing a Senate Economic Development & Commerce committee meeting in Appleton this afternoon.

This past year I had the honor of Chairing the Legislative Council Study Committee on Tax Incremental Financing. The committee was directed to study and review the intent behind TIF laws and how the TIF laws are utilized by cities, villages, towns, and counties. The committee was also directed to evaluate current TIF laws and recommend legislation that could improve their effectiveness and study how they impact a local governmental unit's finances and property taxes; economic and community development; and job growth. As you may know, TIF is the only tool that Cities, Villages, and Townships have for economic development across the state on a local level.

The committee membership consisted of two Senators, four Representatives, and 12 public members from various regions throughout the state. Many of the members, I would consider to be experts in the field of Tax Incremental Financing. It was an extremely educational and productive committee. Better yet, we had over 40 people apply to be public members of the committee. Some of those not chosen to sit on the committee, were extremely helpful in assisting craft the six bills that came out of the committee, five that are before you today.

I fully support these changes to TIF law and have worked with many members on compromises that make the bills acceptable to certain members of both houses. Although not on your agenda today, I also fully support the compromised bill that came out of the Senate, SB-53 and AB-134 which would make important changes that greatly impact my district in the City of Oshkosh. I ask that the committee please look at taking up this important piece of the TIF reform package.

I understand that TIF law and these changes that surround it are not the most exciting thing for most but after speaking with those whom use TIF on a daily basis, these changes are warranted and necessary to assist our local communities in their Economic Development efforts. If you have any questions, please don't hesitate to contact me anytime. I ask that you get behind the hard work of the Legislative Council Study Committee on Tax Incremental Financing's proposals and support the changes.

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Wisconsin Economic Development Association

WEDA

TO: Members, Assembly Committee on Ways and Means

FROM: Brian Doudna, Wisconsin Economic Development Association

DATE: October 8, 2015

RE: **Support for AB 131, 132, 133, 135, and 136 – Legislative Council study bills relating to tax incremental districts and financing**

The Wisconsin Economic Development Association is a statewide association consisting of over 400 economic development practitioners. WEDA supports state policies that strengthen our economy and create jobs. Since 1975, Tax Incremental Financing (TIF) has been one of Wisconsin's primary and most successful economic development tools. Statewide, TIF districts – also referred to as a Tax Incremental Districts (TID) - have revitalized urban corridors and bolstered industrial growth among rural areas throughout Wisconsin.

Over the years, various TIF related changes have been implemented to reconcile or address shifting marketplace conditions. To address the challenges in today's marketplace, legislative members and economic industry professionals – including members from WEDA - participated in the 2014 Legislative Council Study Committee on the Review of Tax Incremental Financing. The purpose of the committee was to "study and review the intent behind TIF laws and how the TIF laws are utilized by cities, villages, towns, and counties." After months of discussion, the TIF Study Committee recommended a package of TIF bills to strengthen and refine TIF functionality in Wisconsin.

While WEDA supports the entire bill package to maximize economic growth in Wisconsin communities, today we are here supporting Assembly Bills 131, 132, 133, 135, and 136.

Assembly Bill 131 makes several technical changes to current TIF law. Among the technical changes:

- Modifying the industrial zoning requirements to only apply to industrial use tax increment districts;
- Removing obsolete statutory references, as identified by Department of Revenue (DOR);
- Changing the maximum review period the Joint Review Board (JRB) has to approve a resolution on a TID from 30 days to 45 days;
- Amending 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.

WEDA supports these changes, as identified as technical in nature, in order to clarify current statute for every day practitioners.

Assembly Bill 132 creates a standing JRB, modifies annual reporting requirements, adds penalties for not reporting annually, and repeals the Department of Revenue (DOR) process to review industry-specific town TIDs. These changes will enhance local flexibility and accountability in TIF projects.

Assembly Bill 133 allows any type of TID to be a recipient TID and use tax increments. In addition, this bill excludes small taxing jurisdictions (such as lake, sanitary, or public inland lake districts) from donating to tax increments and removes these entities from the tax increment calculation. These changes will increase the ability of cities and towns to utilize TIDs to spur economic growth.

Assembly Bill 135 removes restrictions to create a prosperous TID regardless of the proportion of vacant land in the district. Current law, with certain exceptions, specifies that property standing vacant for an entire 7-year period, right before a TID is created, may not comprise more than 25 percent of the area in the TID. The physical land where a vacant, damaged or demolished building resides is often more valuable than the property's actual physical improvements. In addition, this bill removes the requirement that all municipal owned land within a TID be assessed for property tax purposes and put in the base value calculations. This will better reflect the actual property tax value of the municipal property, which is zero. WEDA supports removing the 25 percent vacant land restriction to generate more flexibility for local governments to create a TID regardless of the percentage of vacant land in the TID.

Lastly, we support Assembly Bill 136 because it increases TID value increments to total equalized value of taxable property in a city or village from 12 percent to 15 percent. Under current law, for a TID to be created it must meet the 12 percent rule. This rule requires the base value of the proposed TID plus the value increment of all other districts in the municipality not exceed 12 percent of the equalized value of taxable property in the municipality. The 12 percent rule has proven to be a barrier for small communities and rapidly growing communities. Small communities can easily be "TIF'd out" after creating one or two TIDS with a large project, exceeding the 12 percent limit. WEDA supports changing the 12 percent to 15 percent in order to reduce administrative back and forth for exemptions and enhancing the ability of cities and villages to spur economic growth.

Thank you for your consideration and support for AB 131, 132, 133, 135, and 136.

LEAGUE OF WISCONSIN MUNICIPALITIES

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To: Assembly Committee on Ways and Means

From: Curt Witynski, Assistant Director, League of Wisconsin Municipalities

Date: October 8, 2015

Re: AB 131, AB 132, AB 133, AB 135, and AB 136, TIF Study Committee Recommended Legislation

The League of Wisconsin Municipalities strongly supports AB 131, AB 132, AB 133, AB 135, and AB 136 as, recommended by the Study Committee on the Review of Tax Incremental Financing and unanimously approved for introduction by the Joint Legislative Council. The Senate has unanimously passed amended versions of the Senate companions to all of these bills except AB 136, which it has not yet taken up. All of these bills, which are summarized below, are the result of months of review, discussion and vetting by the Legislative Council study committee. Each of these bills makes important improvements and clarifications to the only economic development tool available to cities and villages. These bills also make the TIF law clearer and the TIF process more transparent to other taxing jurisdictions.

- **AB 131** makes several technical changes to the TIF law, including clarifying that the municipality's equalized value for the preceding year, as used in the calculation of the levy limit exception for the year that a TID terminates, excludes the value of any TID value increments.
- **AB 132** requires a municipality to maintain a standing Joint Review Board until the termination of a all TIDs within the community, and requires the Joint Review Board to meet annually to review an annual report. In addition, the municipality or county must submit the annual report describing the status of each existing TID to each overlying taxing jurisdiction as well as to the Department of Revenue.
- **AB 133** removes barriers preventing TIDS from sharing tax increments, including limiting the participation of certain special purpose districts in TIF district financing, and authorizes any TID to use tax increments donated from another TID.
- **AB 135** removes the restriction that property standing vacant may not comprise more than 25 percent of the area in a TID for TIDs created after the effective date of the bill. Also, the bill revises the calculation of the initial tax incremental base of a future TIF district to exclude all tax-exempt municipally-owned property.
- **AB 136** increases from 12 to 15 percent the maximum amount of a community's equalized value that may be contained in TIF districts.

The League urges you to recommend passage of each of these bills. Thanks for considering our comments.

October 8, 2015

Wisconsin State Assembly
Committee on Ways and Means
State Capitol
Madison, Wisconsin

RE: Testimony **in Support of AB 131, 132, 133, 135 and 136**, Joint Legislative Council Study Bills relating to **tax incremental financing**.

Dear Chairman Spiros and Committee Members,

I am unable to be present today to personally testify in support of these bills as a part of the overall recommendations of the Legislative Council Study Committee on TIF but would like to submit the following written testimony.

I had the privilege of serving on the Joint Legislative Council TIF Study Committee and fully support the work and all of the recommendations of the Committee.

Ehlers is a firm that exclusively serves local governments across the State of Wisconsin. Currently we represent over 300 municipalities in Wisconsin as their Financial Advisor. We have assisted in the creation and ongoing financial management of Tax Increment Districts in Wisconsin since the law was initially created in 1976. Our company also provides financial advisory and tax increment assistance in Minnesota, Illinois, Kansas and Colorado and as such we are well aware of how this law has been used and applied in these competing States as well.

It is my view that all of the recommendations of the TIF Study Committee will significantly improve the accountability and transparency of the program and will advance the original intent of the law---to promote economic development, jobs and tax base growth that would not have otherwise occurred without the use of Tax Incremental Financing.

Specifically the Bills before you today will accomplish the following:

- **Assembly Bill 131** will clean up obsolete or unwieldy provisions of the law through a series of technical corrections.
- **Assembly Bill 132** will improve transparency and accountability by making Joint Review Boards standing bodies rather than allowing disbanding during the life of a district. It will also improve reporting and record keeping by local governments
- **Assembly Bill 133**. Current law restricts sharing of increment to district that have the same overlapping taxing jurisdictions and also further limits the types of TIDs that can receive shared increment. This bill will make all types of TIDs eligible to receive shared increment and would eliminate "minor" taxing districts from the "overlapping" jurisdictional requirement.
- **Assembly Bill 135** would eliminate an obstacle to redevelopment districts where the current "vacant land test" would preclude development of truly blighted or lands in need of rehabilitation. In addition this bill eliminates the requirement to assign value to municipally owned land when a TID

is created. This is beneficial as it eliminates the immediate decrement that results when notional value is assigned to tax exempt property for purposes of base value determination.

- Finally **Assembly Bill 136** would increase from 12% to 15% the amount of total tax base that a community could have included in any combination of tax increment districts at the time that a new district is created. In many medium to small communities , the TID program has been very successful but because they have a relatively small tax base they are "TIFed Out" or excluded from participating until a district is closed. This would provide a chance for some of these communities to again participate in attracting development that would not otherwise occur without a Tax Increment District.

Very Truly Yours

Michael C. Harrigan, CIPMA
Chairman / Senior Municipal Advisor

CC: Todd Taves, Principal, Ehlers

October 8, 2015

Joint Legislative Council
Assembly Committee of Ways and Means
State Capitol
Madison, Wisconsin

Dear Committee Members,

My name is Brian Ruechel from Robert W. Baird & Company. I am a Director in Baird's Public Finance Division that works with all local units of government in all aspects of the Tax Incremental Financing ("TIF") law. Prior to joining Baird in April 2010, I completed a 31 year government finance career consisting of finance director positions for 20 years with the City of Green Bay and 11 years with the City of Manitowoc. In my finance positions I had extensive experience in TIF creation, administration, amendment, and termination of TIF districts.

I had the honor to be appointed and the privilege of serving on the Legislative TIF Sturdy Committee and fully support the work and all recommendations of the Committee.

TIF is the main tool that local units of government have for economic development, jobs and tax base growth. The recommendations of the TIF Study Committee will significantly improve the program and the original intent of the law.

The five bills before you today are products of the TIF Study Committee and are designed to enhance and provide further transparence and accountability for the use of tax dollars when using TIF.

Assembly Bill 131 repeals certain provisions of the statutes relating to TIF that the Department of Revenue (DOR) identified as obsolete and contains some minor timing changes and notice requirements that assist municipalities with the process involved with TIF. Additionally, the bill modifies the industrial zoning requirements to only apply to industrial use districts, and specifies how the levy limit calculation is formulated when a Tax Increment District (TID) terminates.

Assembly Bill 132 extends a TID's annual reporting deadline from May 1st to July 1st and improves local oversight by requiring the joint review board to remain in existence for the entire lifetime of the TID and to meet annually to review the annual report as soon as the report is available. The bill contains a listing of required information that must be included in the annual report and a DOR charge of $100 per day that the annual report is past due. The bill repeals the process relating to DOR's review and determination as to whether money expended or debt incurred by an industry-specific town TID complied with current law. This process is not available for any other type of TID.

Assembly Bill 133 removes certain barriers that prevent TIDs from sharing tax increments by modifying the requirements for sharing tax increments by TIDs, limits the participation of certain special purpose districts in the financing of a TID and allows any type of TID to use allocated tax increments donated from another TID. The removal of these barriers is expected to increase the number of TIDs that share incremental levies and allow TIDs that generate insufficient levies to be closed sooner which is good for all taxpayers and all entities in the TID.

Assembly Bill 135 addresses vacant land and city owned property in TID's by removing the restriction that property standing vacant may not comprise more than 25 percent of the area in a TID, and revises the calculation of the initial tax incremental base of the district to exclude all tax-exempt city-owned property. Removing the 25 percent vacant land restriction will generate more flexibility for local governments to create a TID.

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Assembly Bill 136 allows an increase, from 12% to 15% in the allowable ratio of TID value increments to total equalized value of taxable property in a municipality. Generally a municipality may not create a new TID if that ratio exceeds the statutory limit. In many medium to small communities, the TID program has been very successful but because they have a relatively small tax base they are "TIFed Out" or excluded from participating until a district is closed. This change should cut down on the number of special legislation requests that are introduced each session to allow a specific community to exceed the 12 percent limit.

Thank you and I ask for support of these bills.

Yours Truly,

Brian Ruechel

Brian Ruechel
Director, Baird Public Finance

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Amy Loudenbeck
REPRESENTING WISCONSIN'S 31ST ASSEMBLY DISTRICT

TESTIMONY OF REPRESENTATIVE AMY LOUDENBECK, VICE CHAIR STUDY COMMITTEE ON THE REVIEW OF TAX INCREMENTAL FINANCING, TO THE ASSEMBLY COMMITTEE ON WAYS AND MEANS

October 8, 2015

Good morning. It was my pleasure to serve as vice chair of the Study Committee on the Review of Tax Incremental Financing. I am here today to describe the several of the bills recommended by the committee and introduced by the Joint Legislative Council.

Membership of the Study Committee consisted of two Senators, four Representatives, and 12 public members. The Study Committee's public members represented professionals with expertise in TIF consulting, public finance, real estate development, and the study of TIF performance, as well as representation for the economic development interests of municipalities of all sizes, from regions throughout the state.

The Study Committee met five times from July to November 2014, and heard testimony from a number of agencies and individuals, including testimony on the TIF experiences of local units of government, state agencies, consultants and developers.

In response to this testimony, and based on experiences shared by its members, the committee recommended eight bills to address various aspects of TIF policy, including the following five bills being heard today:

ASSEMBLY BILL 131, RELATING TO TECHNICAL CHANGES TO TIF LAW

Assembly Bill 131 addresses several technical issues that the Study Committee identified, including:

- Specification that industrial zoning requirements for TIDs only apply to industrial TIDs.
- Reduction of the notice required by a planning commission for a TID amendment.
- Elimination of obsolete statutory references.
- Extension of a TID's lifespan and period for allocation of positive TID increments by one year, to eliminate a timing penalty that can arise based on the date of a TID's creation.
- Extension, from 30 days to 45 days, of the maximum review period a JRB has to approve a municipality's TID resolution.
- Exclusion of any TID value increments from a municipality's equalized value when calculating an exemption from the levy limit related to TID termination.

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REPRESENTING WISCONSIN'S 31ST ASSEMBLY DISTRICT

ASSEMBLY BILL 132, RELATING TO JOINT REVIEW BOARDS AND TID ANNUAL REPORTS

Assembly Bill 132 amends the process by which any TID's annual report is reviewed, including an industry-specific town TID and an environmental remediation TID. The bill also repeals the process by which DOR may be requested to review and make a determination as to whether an industry-specific town TID's expenditures or debt comply with current law. Specifically, the bill draft does all of the following:

- Requires a local unit of government to submit an annual report that describes the status of each existing TID to each overlying taxing jurisdiction, as well as to DOR, by July 1.
- Specifies the information that must be included in the annual report. This includes information about any developer who is named in a developer's agreement or receives financial assistance from tax increments generated by the TID. It also includes the date that the TID is expected to terminate and a financial analysis of the TID.
- Requires every JRB to exist during the life of a TID and requires the JRB to meet annually on July 1, or as soon as the annual report becomes available.
- Requires DOR to post the annual reports on its website. The bill also allows DOR to grant an extension of time.
- Requires that DOR must charge a late fee of $100 per day for each day that the annual report is past due.
- Repeals the process by which DOR may be requested to review and make a determination as to whether an industry-specific town TID is making expenditures or incurring debt in compliance with current law. Currently, such a request may be made by various parties located either inside or outside of the town and there is no such process available for any other type of TID.

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ASSEMBLY BILL 133, RELATING TO DONOR TIDS AND SHARING TAX INCREMENTS

Assembly Bill 133 removes some of the barriers that prevent TIDs from sharing tax increments. Specifically, the bill does all of the following:

- Allows a TID in existence on the effective date of the bill to become a donor TID and share tax increments with a recipient TID even if the two TIDs do not have the same overlying taxation jurisdictions if the dissimilarity arises because of special districts like a lake sanitary district, a public inland lake protection and rehabilitation district, or a town sanitary district.
- Prohibits these special districts from participating in the financing of a TID for any TID created on or after the effective date of the bill.
- Allows any type of a TID to be a recipient of donated tax increments.

ASSEMBLY BILL 135, RELATING TO VACANT LAND AND CITY-OWNED PROPERTY IN TIDS

Assembly Bill 135 removes the statutory restriction that vacant property may not comprise more than 25% of the area of a newly-created TID, and excludes all tax-exempt city-owned property from the calculation of a TID's initial tax incremental base value.

ASSEMBLY BILL 136, RELATING TO THE "12%" TEST FOR TID CREATION

Assembly Bill 136 increases, from 12% to 15%, the allowable ratio of TID value increments to total equalized value of taxable property in a municipality. Municipalities may not create a new TIDs if that ratio exceeds the statutory limit.

I am happy to answer any questions you may have. Technical amendments for several of the Senate companion bills to the bills discussed today were adopted as those bills moved through the Senate. I have introduced similar amendments for Assembly Bills 131, 132, and 135. Scott Grosz and Melissa Schmidt of the Legislative Council, who staffed the committee, are also available to answer questions. Thank you for hearing my comments today.

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