

**COMMENTS BY WILLIAM J. MIELKE, P.E., RLS
TO
2014 LEGISLATIVE COUNCIL STUDY COMMITTEE
ON THE REVIEW OF TAX INCREMENTAL FINANCING**

First let me start by saying I am a supporter of the TIF program in Wisconsin and think it is a positive influence in creating new development and jobs in our state. The creation of a TIF development or redevelopment plan for a community provides an opportunity for the community to become more involved in the development process.

By that I mean the existence of a TIF and the financial incentives it provides allows the community to request more input into the vision, theming, and quality of construction for the project. That is, for the community, investment by the way of TIF dollars a community should have the leverage to ask for higher quality and thus higher ending property value that will benefit the communities tax rates well into the future. Developers are much more willing to spend more money on landscaping and architectural enhancements if they are given incentives such as free infrastructure.

We have learned a lot since establishing some of our first TIF districts in the 1970's where there was a concept of "if you built it they will come". After this past 6 years of a major economic recession, communities are far more cautious of how they establish and fund their new TIF's. Previous methods involved a community entering into a development agreement with a developer that had a proposal for developing an area within a TIF. The agreement usually had provisions as to the type of buildings being proposed, the size and approximate value. The community would then go ahead and put the agreed upon infrastructure in. When the recession hit many planned developments stopped cold in their tracks and the increment did not occur. More recent thinking now has the developer providing the initial funds with the community reimbursing the developer as the increment is recognized.

There are several practical problems we have run into with the many TIFs we have been involved with and they are as follows:

Downtown TIFs

Many communities have established Tax Incremental Financing (TIF) Districts to help revitalize their older downtown areas. With the current economic climate, many downtown TIF Districts are failing. The most difficult TIF's to finance and make financially viable are the TIF's created to redevelop the older downtown areas of mature communities. It is less expensive to develop big box retail on the outskirts of a municipality which causes a decline in the smaller shops located in the fully developed downtown area.

To redevelop older downtowns and create opportunities for new small business, TIF's play an integral part in making this happen. New jobs and vibrant downtowns provide a benefit not only to the local community, but to the State with increased payments of income taxes.

A proposed solution would be to change the current TIF statutes to allow for any increase in sales tax receipts generated within the TIF District to be utilized to retire TIF debt in the same fashion as increased property taxes are currently utilized. The recommended change should only apply to existing downtown redevelopment areas (80% or more developed), and not green field developments.

The increase in sales taxes generated would be measured from the starting base year for new TIF's as certified by the Department of Revenue who would be furnished the employer identification number, address and tax key number of all businesses located within the TIF boundary. To retain the business data confidentiality, only the total amount of sales taxes generated would be reported to the community. For existing downtown TIF's, the base year would be the year of the enactment of the new legislative provision.

The economic benefits of this provision would allow struggling TIF's to close out sooner and thereby provide additional property tax relief to the community. Creating incentives for new business to start up and locate in the currently vacant stores will create jobs and additional revenue for the State and the local economy. Currently many communities can no longer fund improvements or incentives in their downtown TIF areas. Creating economic incentives for communities by developing additional tools to enhance the chances of success in revitalizing their downtowns will lead to a reversal of declining property values in those areas.

Donor TIF's

Under Wisconsin TID law, all local government entities having the power to levy taxes on property within a TID are overlying taxing jurisdictions for that TID. If such an entity levies property taxes, that entity contributes tax increment to the TID. Overlying taxing entities include the cities, villages, towns, counties, school districts, and technical college districts that are represented on the Joint Review Board, as well as any other special purpose district with the power to levy taxes within a TID. These special districts, while not represented on the Joint Review Board, currently consist of metropolitan sewerage districts, sanitary districts, and public inland lake protection and rehabilitation districts (also known as lake management districts), but could also include other districts authorized by statute to levy property taxes.

The participation of these special purpose districts in tax incremental districts creates obstacles to "donor" TIDs. TID law allows for a TID with excess tax increment to allocate or "donate" a portion of its excess revenues to another TID within the same municipality. However, the law requires that both TIDs have the same overlying taxing jurisdictions. If one TID is within a lake management district, for example, and the other one is not, donation from one TID to the other is not allowed.

Lake management districts and sanitary districts present an obstacle to the ability to create donor TIDs due to the number of such districts. There are approximately 220 lake management districts in Wisconsin, many of them located partially in villages and cities. These districts typically only cover a small portion of the municipality immediately adjacent to the lake, and many municipalities have multiple lake management districts within their borders. Sanitary districts are also numerous and it is not uncommon for more than one sanitary district to exist

within the same municipality. The property tax levies and tax rates of these districts are very small compared to the taxes levied by other taxing jurisdictions. These districts, therefore, generate a very small percentage of tax incremental revenues. However, the sheer number of these districts creates the potential for them to be a frequent obstacle to the creation of donor TIDs.

The proposed solution to this issue is twofold: 1) amend the TID law to exclude sanitary districts and lake management districts from participation in tax increment financing for future TIDs; and 2) as to existing TIDs with sanitary districts or lake management districts, allow municipalities that want to create a donor TID to prospectively exempt sanitary districts and lake management districts from the donor and recipient TIDs. These districts contribute very little in tax incremental revenue and are not currently represented on the Joint Review Board. It is expected that the exclusion of these districts would have very little financial impact on TIDs. At the same time, it would remove an obstacle to donor TIDs that could potentially affect a significant number of municipalities.

Agriculture & TIF

One of the earliest sources of increment for what would be called a green field TIF is the increase in equalized value of the land after the infrastructure improvements are installed. What has happened to some TIF's is the developer has begun farming the unsold land even after the streets, sewer, water and sidewalks have been put in. Land that may have been valued at \$150,000 to \$250,000 per acre goes immediately to under \$500 per acre. Some form of change to the TIF law should be made to prevent farming once the property has been developed as this serious drop in value will prolong the life of the TIF and harm the participating taxing jurisdictions.

Good luck in your deliberations on this very timely subject.

WI Municipalities with TIF & Lake Districts

Mun Code	Municipality	# of TIFs	Lake District	
			Mun Code	Name of District
18201	Altoona	2	188030	Lake Altoona District
48201	Amery	2	488030	Apple River Pro & Rehab District
			488140	Amery Lakes Pro & Rehab District
34201	Antigo	3	348030	Antigo Lake Pro & Rehab District
18202	Augusta	2	18505	Augusta Mill Pond Pro & Rehab District
48106	Balsam Lake	4	488040	Balsam Lake Pro & Rehab District
61206	Blair	2	618050	Lake Henry Pro & Rehab District
08211	Chilton	3	088020	Chilton Lake District
68211	Clintonville	5	688030	Pigeon Lake Pro & Rehab District
03212	Cumberland	1	038050	Beaver Dam Lake Management District
64216	Delavan	1	648050	Lake Comus Pro & Rehab District
53221	Edgerton	3	538030	Rock-Koshkonong Lake District
53222	Evansville	3	538020	Lake Leota District
18127	Fall Creek	1	188060	Fall Creek Public Inland Lake Pro & Rehab District
11126	Fall River	1	118020	Lazy Lake Management District
14226	Fox Lake	1	148020	Fox Lake Prot & Rehab District
01126	Friendship	2	018060	Friendship Lake District
61231	Galesville	1	618060	Lake Marinuka Public Pro & Rehab District
44136	Hortonville	1	448020	Black Otter Lake District
26236	Hurley	1	268020	Lake Michelle Lake District
61241	Independence	1	618020	Independence Pub Inland Lake Pro & Rehab Dist
36241	Kiel	2	368050	Sheboygan River & Rockville Mill Pond Dist
32246	La Crosse	11	328020	Onalaska Lake Pro & Rehab District
56146	Lake Delton	3	568040	Mirror Lake Management District
48146	Luck	2	488160	Big Butternut Lake Mgmt District
24251	Markesan	1	248030	Little Green Lake Prot & Rehab District
67251	Muskego	2	678020	Little Muskego Lake Pro & Rehab District
			678080	Big Muskego Lake Pro & Rehab District
55261	New Richmond	4	558020	Upper Willow Rehab District
67265	Oconomowoc	2	678090	Lac La Belle Lake Mgmt District
			678100	Fowler Lake Prot & Rehab District
61265	Osseo	2	618070	C Osseo Public Inland & Rehab District
10265	Owen	3	108020	City of Owen Lake District
28171	Palmyra	2	288020	Lower Spring Lake Prot & Rehab District
60176	Rib Lake	1	608020	Rib Lake Public Inland Lake Pro & Rehab Dist
03276	Rice Lake	3	038030	Rice Lake Improvement District
52276	Richland Center	4	528020	Parfrey Mill Pond District
44276	River Falls	1	478030	Lake George Inland Lake Pro & Rehab District
55276	River Falls	2	478030	Lake George Inland Lake Pro & Rehab District
65282	Shell Lake	2	658020	Shell Lake Protection & Rehab District
41281	Sparta	4	418030	Sparta-Perch Lake District
49281	Stevens Point	2	498040	McDill Prot & Rehab District
13281	Stoughton	3	138040	Dunkirk Dam Lake District
41284	Tomah	3	418020	Lake Tomah Rehab District
61186	Trempealeau	1	618040	V Trmpealeau Pub Inland Lake & Rehab District
30186	Twin Lakes	1	308030	Twin Lake Pro & Rehab District
51191	Waterford	1	51191	Waterford Waterway Mgmt District
68291	Waupaca	8	688020	C Waupaca Public Inland Lakes Pro & Rehab Dist
32191	West Salem	1	328030	Lake Neshonoc Prot & Rehab District
49191	Whiting	1	498040	McDill Prot & Rehab District
69191	Wild Rose	3	698030	Wild Rose Inland Lake Por & Rehab District

Source: WI DOR: TIF Value Limitation Report for 2008
 WI DOR: Special District Certification of 2008 Values