

GUIDELINES & APPLICATION PROCESS

The City of Waukesha has formal guidelines that are used to evaluate TIF assistance requests. The City also has a formal application that is required before review begins.

For more information regarding the guidelines and applications please contact the Community Development Department.



simplifying **TIF**

Creating Tax
Base, and
Employment
for the Future

Tax Incremental Financing

PROGRAM HISTORY & STATE LEGISLATION

The program was created in 1975 by the State Legislature. State government realized the challenges cities were facing with stimulating economic development. The program means to require cost participation amongst all taxing jurisdictions that ultimately benefit from the increased property values.

The purpose of the legislation is to expand tax base. TIF is a financial tool used to spur the elimination of blight, promote redevelopment, environmental remediation, as well as industrial and mixed use development.



River's Edge Apartments

PUBLIC INVESTMENT HAS SPURRED AN EXPONENTIAL AMOUNT OF PRIVATE REINVESTMENT

PUBLIC INVESTMENT

- RIVERWALK
- STREET & SIDEWALK IMPROVEMENTS
- STORM WATER PROJECTS
- BURY UTILITY LINES & UPGRADE UTILITIES

EXAMPLES OF PRIVATE INVESTMENT

- RIVER'S EDGE APARTMENTS
- MAIN STREET PLAZA
- TAYLOR'S PEOPLES PARK
- SPX WAUKESHA ELECTRIC
- THE LANDING
- AVALON SQUARE
- WELDALL MANUFACTURING



Fox Riverwalk

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WHAT IS TIF

TIF is an economic financing tool that communities can use to attract economic development in their cities. The community undertakes projects to attract and facilitate development and/or redevelopment such as:

- Installation or rehabilitation of public infrastructure
- Acquisition of land
- Payment of development incentives

These actions make it more desirable for companies to redevelop/build/locate in the community.

The community's investment is repaid over time by capturing the increased property tax revenue generated within the District by new development and redevelopment.

FINANCIAL FEASIBILITY

There are several questions a community must ask when determining the feasibility of creating a Tax Incremental District.

.What value will be created?

What are the proposed projects in the district and how will they be financed?

Does the district cash flow?

The City of Waukesha carefully reviews these questions and works with its financial advisor to develop a proforma for the district like the one below.

Scenario A: General Obligation Financing
Maximum Incentive - TIF Reserve Balance / Revised Increment Timing

City of Waukesha
Example Tax Increment District
Cash Flow Proforma Analysis

Assumptions:
Account Payable During Life of TIF: 1.00%
2010 Service Tax Rate (per \$1000) (Revised Values): 8.00%
Annual Adjustment to Tax Rate: 0.00%
Reinvestment Rate: 0.00%

Background Data:
Year: 2010-2037
TIF District: 1000
Inflation: 3.00%
Construction: 1000
TIF Reserve: 1000
TIF Reserve Rate: 0.00%

Revenues:
Year: 2010-2037
TIF Revenue: 1000
Total Revenue: 1000

Expenditures:
Year: 2010-2037
TIF Expenditure: 1000
Total Expenditure: 1000

TIF Status:
Year: 2010-2037
TIF Balance: 1000
TIF Reserve: 1000

Prepared by Robert W. Baird & Co., Incorporated 5:\municipalities\waukesha\city\2010\Proforma\Example proforma waukesha (2010 - what if scenario7).xlsx 12/22/2010



Aldi & Golden Corral on remediated landfill site

COMMUNITY WIDE BENEFITS

The new development that occurs in TIF Districts results in increased employment base, increased tax base, increased manufacturing jobs, redevelopment of dilapidated sites, environmental remediation, public infrastructure improvements, positive business environment, less tax burden on residential property owners. All of these benefits are felt across the community by its citizens who can find employment close to home, enjoy new public improvements and have

tax relief because the burden is shifted to the new residential, commercial and industrial users. Further, the payroll received by the new employees is spent in the community by workers living and shopping in the city. Finally, commercial and industrial users demand less in services from the city. Businesses do not demand service from the school district, demand fewer services from fire and police and do not receive city trash pick up.



Pioneer Hall

REDEVELOPMENT & REMEDIATION

- BLIGHT ELIMINATION
- INCREASE TAX BASE
- INCREASE DENSITY ON PRIME CENTRAL CITY PROPERTY
- CLEAN UP & CAPPING FORMER LANDFILLS

Expenditure Periods

TID Creation Date	Prior to 10-1-95	10-1-95 to 9-30-04	10-1-2004 or later
Blight Elimination	22 Years	22 Years	22 Years
Conservation or Rehabilitation	22 Years	22 Years	22 Years
Industrial	22 Years	18 Years	15 Years
Mixed Use	NA	NA	15 Years
TID Creation Date		10-14-97 to 9-30-06	10-1-2006 or later
Environmental Remediation	NA	15 Years	15 Years

TIF LIFESPAN

A district may remain open until the earliest of the following occurrences:

- The District's maximum life is reached, which varies by type of District and when it was created
- When total tax increments collected are sufficient to pay all of the District's project obligations
- When the City passes a resolution to close the District (any unreimbursed project costs become a general liability of the municipality)

TID Creation Date	Prior to 10-1-95	10-1-95 to 9-30-04	10-1-2004 or later
Blight Elimination	27 Years	27 Years (+4)*	27 Years (+3)*
Conservation or Rehabilitation	27 Years	27 Years (+4)*	27 Years (+3)*
Industrial	27 Years	23 Years	20 Years (+3)*
Mixed Use	NA	NA	20 Years (+3)*
TID Creation Date		10-14-97 to 9-30-06	10-1-2006 or later
Environmental Remediation	NA	23 Years (Previously 16 Years)	23 Years

* District eligible to receive an extension to maximum life

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EXPENDITURES

Eligible expenditures in a TID include capital costs for infrastructure that serves the district. Infrastructure can include water, sanitary sewer, stormwater. Prorated portions of major infrastructure improvements, such as a water tower, that serves the district even if outside the district boundaries are also eligible expenses. Development incentives such as cash grants are also acceptable expenses as long as the grants accompany an executed development agreement. Land acquisition costs related to development are also eligible costs including:

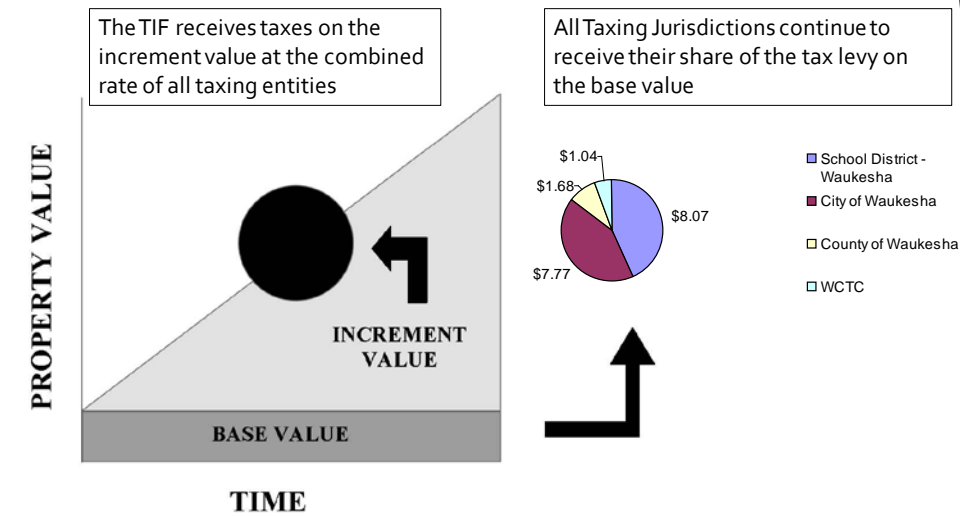
- Relocation costs
- Demolition/site clearance
- Remediation
- Assembly

AMENDMENTS

Boundary amendments can be made up to 4 times in the life of the district. Property may be added or subtracted from the district. Generally this amendment also involves a Project Plan amendment. The amended boundary must be in compliance with the 12% test.

Project Plans can also be amended. There is no limit on the times a project plan can be amended. This amendment usually occurs when there is a need to update the TIF eligible projects to be undertaken in the district.

HOW TIF WORKS



The taxes collected for the properties within a TID remain at the rate that was collected at the time of creation. Those taxes continue to be distributed to the various taxing entities. Any tax collected above and beyond that base rate is used to repay the TIF expenses incurred by the City. For example, property X is paying \$2,000 in combined taxes at the time the TID was created. The taxing entities will continue to collect the same \$2,000 from that property every year the TID is in existence. However, any additional tax dollars collected from that property will be used to repay TID related expenses that may have occurred, such as utility improvements or bond repayment. The properties in a TID are taxed at the same rate as the other properties in the city. The TID will collect any increases in taxes paid due to increase in property value due to improvement, expansion or inflation and any increases due to an increase in tax rate. When the district is closed 100% of the taxes collected will then go to the taxing entities.

Before & During life of TID

Jurisdiction	Equalized	%	Amount (\$)
School District - Waukesha	\$ 8.07	43.47%	\$89,063.01
City of Waukesha	\$ 7.77	41.85%	\$85,743.89
County of Waukesha	\$ 1.68	9.07%	\$18,582.96
WCTC	\$ 1.04	5.61%	\$11,493.98
Total	\$18.56	100.00%	\$204,883.84

After TID is closed

Jurisdiction	Equalized	%	Amount (\$)
School District - Waukesha	\$ 8.07	43.47%	\$410,816.12
City of Waukesha	\$ 7.77	41.85%	\$395,506.20
County of Waukesha	\$ 1.68	9.07%	\$85,716.64
WCTC	\$ 1.04	5.61%	\$53,017.68
Total	\$18.56	100.00%	\$945,056.64



Gaco Western Relocation & Expansion

MANUFACTURING

- ADDITIONAL EMPLOYMENT BASE
- FAMILY SUPPORTING JOBS
- ADDITIONAL TAX BASE
- POSITIVE BUSINESS CLIMATE
- ADDITIONAL PAYROLL SPENT IN THE COMMUNITY AT OTHER BUSINESSES AND FOR HOUSING

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DISTRICT TYPES

There are four types of Tax Incremental Finance Districts that can be established, blighted, rehabilitation, industrial and mixed use. A blighted district must demonstrate that 50% of the property in the district meets the state statutory definition of blighted. Rehabilitation or Conservation districts must demonstrate that 50% of the properties in the district are in need of rehabilitation or remediation/conservation. Similarly, industrial districts also must have 50% of the land in the district be suitable for industrial uses. Finally, mixed use districts may be any combination of industrial, commercial or residential. However, the residential can not exceed 35% of the district if it is newly platted.



Airport Industrial Park

BUT FOR TEST

A key under pinning of the TIF program is referred to as the "but for" test. There must be a clear indication the "but for" the use of TIF the proposed development would not occur as proposed, within the same time frame or with the same level of value. The Joint Review Board must make a "but for" finding before the TID creation process can occur.

BOUNDARIES

When determining the boundaries of a new district attention must be paid to several requirements set forth by the state legislation. The properties must be contiguous (whole parcels only). The district must also pass the equalized valuation test. The equalized value of current TID increments plus the base value of the proposed district may not exceed 12% of the total equalized value of the community. The district must also meet applicable test for the type of district to be created. For example, in the case of an Industrial TID, 50% of the land area must be zoned and suitable for industrial development.



Applicable only to blight and rehab TID's, no more than 25% of the area can have been vacant for the preceding 7 years with the exception of lands that are environmentally contaminated. If the value of the improvements is less than the value of the land, the property is considered vacant.

