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TIF Legislative Council Study Committee Recommended TIF Law Changes

Presentation to City of Waukesha Finance Committee

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Background

- Legislative Council Study Committee on the Review of Tax Increment Financing formed in May of 2014
- Membership
 - Senators Gudex (Chair) and Jauch
 - Representatives Kuglitsch, Loudenberg (Vice Chair), Ohnstad & Zepnick
 - Twelve citizen members with backgrounds in local government, public finance, economic development, public policy and planning

2

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Committee's Charge & Scope

- The Special Committee is directed to study and review the intent behind tax incremental financing (TIF) laws and how the TIF laws are utilized by cities, villages, towns, and counties
- The committee shall also 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

3



Process

- Met five times between July and November of 2014
- First two meetings devoted to receiving testimony and information from:
 - Legislative Council and Department of Revenue staff
 - Municipal economic development professionals
 - Municipal management and finance professionals
 - Developers
 - Municipal consultants
- Committee developed 17 proposals for TID law amendments
- Reduced and consolidated their proposals to 8 draft statutory changes that were voted on by the committee

4



Committee Actions

- Committee affirmed the value of Tax Incremental Finance as an important economic development tool for the State
- Affirmed the desire to recommend changes that make the law more useable, uniform and “user friendly” but still within the context of the “but for” test
- Affirmed the desire to have greater transparency and accountability in the use and application of the program
- Following are the eight recommendations of the committee:

5



SB-50 WLC: 0049/1 – Technical Corrections

- Clarifies that the maintenance of industrial zoning requirement applies only to industrial TIDs (and not to mixed use TIDs)
- Changes public hearing notice requirement from Class 2 to Class 1 for TID amendments
- Deletes obsolete references in the TID law as identified by DOR
- Eliminates creation date “timing penalty”
- Extends timeframe for Final JRB meeting from 30 to 45 days
- Requires DOR to use TID OUT value when calculating the allowable levy limit increase following TID closure

6



SB-51 WLC: 0048/1 – Annual Reports

- Current law requires submission of an annual report to overlapping taxing jurisdictions by May 1 annually
- Study Committee Recommendation
 - Extend reporting deadline to July 1 with ability to request extension through DOR
 - Prescribe minimum report content
 - Require JRBs to convene annually to review the annual report and to remain standing for the life of the TID
 - Require DOR to post reports on its website
 - Impose a \$100 per day fine for late reports where an extension has not been granted

7



SB-52 WLC: 0047/1 – Increment Sharing

- Current law:
 - Donors and recipients must have same overlapping taxing jurisdictions
 - Eligible recipients limited to blighted area, in need of conservation or rehabilitation, distressed and severely distressed TIDs
- Study Committee Recommendation
 - Eliminate lake sanitary, public inland lake protection and rehabilitation, and town sanitary districts from overlap requirement
 - Make all types of TIDs eligible recipients

8



SB-53 WLC: 0043/1 – Adverse Impact

- Study Committee Recommendation
 - Permit five-year extensions to TID life where tax increment collections are adversely impacted by:
 - Prospective changes to the TID law
 - DOR valuation methodology changes
 - Technical college levy reductions (2013 Wisconsin Act 145)
 - Extension would be available in addition to the three and four year extensions currently available for certain TIDs
 - An additional territory amendment would also be available in cases where the four permitted per TID under current law had already been utilized

9



SB-54 WLC: 0041/1 – Vacant Land & Municipal Land

- Current law:
 - Restricts vacant land in “blighted area” and “in need of conservation or rehabilitation” TIDs to 25%
 - Requires that tax-exempt land owned by the municipality creating the TID be assigned a value if not being held for a public purpose (thus creating an immediate decrement)
- Study Committee Recommendation
 - Eliminate vacant land test
 - Eliminate requirement to assign value to tax-exempt land
 - Both changes would apply only to TIDs created after effective date

10



SB-55 WLC: 0019/1 – Valuation Test

- Current law valuation test requires that the base value of the proposed TID or territory addition, plus the increment value of any existing TIDs, be less than 12% of TID IN equalized value
- Study Committee Recommendation
 - Increase limit from 12% to 15%

11



SB-56 WLC: 0017/1 – Distressed TID

- Current law allowing a TID to be declared “distressed” or “severely distressed” sunsets on October 1, 2015
- Study Committee Recommendation
 - Extend sunset provision to October 1, 2020

12



SB- 57 WLC: 0015/2 – Base Value Redetermination

- 2013 Wisconsin Act 183 created authority to reset TID base value one time when a TID has been in a “decrement” situation for two successive years
- Study Committee Recommendation
 - Permit single, or multiple redeterminations as long as that possibility is identified in TID project plan or an amendment thereto.
 - JRB approval required for project plan or plan amendment, but not for individual redetermination(s)
 - Single year of decrement permits a redetermination

13



Legislative Process

- Formal committee report was published by Legislative Council on February 4, 2015.
- Each set of Committee recommendations has been prepared as a separate bill for consideration by the legislature. SB's 50, 51, 52, 53, 54, 55, 56 and 57.
- All bills have been assigned to the Senate Committee on Economic Development & Commerce chaired by Senator Gudex.
- Normal legislative consideration – public hearings, etc.

14



Additional TID Legislation not generated by TIF Study Committee

- AB-45 Authorizes Towns to participate in multijurisdictional TIDs.
- SB-64 Changes conditions under which a city or village may request DOR to determine if TID is in a decrement situation. (Note Assembly Companion Bill is AB-73)

15



2014 Legislative Council Study Committee on the Review of Tax Incremental Financing

Legislators:

Sen. Gudex (Chair)
 Sen. Jauch
 Rep. Laudenbeck
 Rep. Kuglitsch
 Rep. Ohnstad
 Rep. Zepnick

Public Members:

Jennifer Andrews, Waukesha
 Michael Harrigan, Ehlers
 Eileen Kelley, Middleton
 John Kovari, UW LaCrosse
 Richard Lincoln, Mandel Group
 David Rasmussen, MSA
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16

