

Tax Incremental Financing Guidelines

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What is TIF?

Tax Incremental Financing (TIF) is a special funding tool available to local municipalities that spurs economic development which otherwise would not occur. When a Tax Increment District (TID) is created property owners within the district continue to pay the same property tax rates as those outside the district. The difference is that tax collections within the TID, over and above the “base value” are placed into a special fund that is used to pay for the TID project costs. Once all costs incurred by the creation of the TID are recouped by the municipality, the TID is closed and the additional property taxes created are shared by all taxing entities.

The use of TIF varies from project to project and district to district. In some cases, the Village uses TIF to promote redevelopment of older parts of the community. In other cases, the Village uses TIF to create industrial parks through land acquisition and construction of infrastructure. In both cases, increased property tax collections are used to pay down debt service associated with project costs. The following outlines the Village’s policy regarding TIF.

Purpose

The purpose of this Policy is to articulate to existing or potential businesses the Village of Winneconne’s desire to promote economic development that is consistent with the Village’s Comprehensive Plan and provides a community benefit that will ultimately be shared by all taxing entities (Village, School, Technical College, County, and State) impacted through the establishment of Tax Increment District (TID).

Notwithstanding compliance with state statute and any or all of the guidelines herein, the provision of TIF assistance is a policy choice to be evaluated on a case-by-case basis by the Village Board of Trustees. The burden of establishing the public value of TIF shall be placed upon the applicant and the application must substantially meet the criteria contained herein. Village Administration has the authority to decide whether or not to bring any TIF proposal forward for Board consideration.

Meeting statutory requirements, policy guidelines or other criteria listed herein does not guarantee the provision of TIF financial assistance nor does the approval or denial of one project set precedent for approval or denial of another project.

TIF Authority

The authority and regulations for Tax Incremental Financing and the establishment of Tax Increment Districts are found in Wis. Stats. 66.1105. The Village of Winneconne reserves the right to be more restrictive than provided under the statutes.

Basic Provisions

As a matter of policy the Village of Winneconne will consider using Tax Incremental Financing to assist private development in those circumstances where the proposed private project shows a demonstrated financial gap and that the financial assistance request is the minimum necessary to make the project feasible. The developer is expected to have exhausted every other financial alternative prior to requesting the use of TIF, including equity participation, other federal and state funds, bonds, tax credits, loans, etc.

It is the intent of the Village to provide the minimum amount of Tax Incremental Financing assistance to make the project viable and not solely to broaden a developer's profit margin on the project. Prior to consideration of a Tax Incremental Financing request, the Village will undertake (at the requestor's cost) an independent analysis of the project to ensure the request for assistance is valid.

In requesting TIF assistance, the developer must demonstrate that there will be a substantial and significant public benefit to the community by eliminating blight, strengthening the economic and employment base of the Village, positively impacting surrounding neighborhoods, increasing property values and the tax base, creating new and retaining existing jobs, and implementing the Comprehensive Plan.

Each project and location is unique and therefore every proposal shall be evaluated on its individual merit, including its potential impact on village service levels, its overall contribution to the economy and its consistency with the Comprehensive Plan, Strategic Plan or other community planning documents. Each project must demonstrate probability of financial success.

“BUT FOR” TIF

The Village must determine through information provided by the developer that the project would not occur “but for” the assistance provided through Tax Incremental Financing. The burden is on the developer to make this case to the Village. If the “but for” determination is not made, Tax Incremental Financing cannot be used.

TIF Objectives

The Village will consider utilizing Tax Incremental Financing to meet the following basic objectives:

1. Stimulate and continued revitalization of the Village downtown by:
 - a. Improving infrastructure;
 - b. Creating a variety of housing opportunities to increase the number of downtown residents;
 - c. Preventing or eliminating slums and blighting conditions;
 - d. Constructing mixed-use developments;
 - e. Attracting desirable businesses and retaining existing businesses.
 - f. Encouraging development projects that enhance the streetscape and pedestrian experience and improve the vitality of the downtown area by adding interest and activity on the first floor of mixed- use buildings.
2. Promote efficient usage of land through redevelopment of blighted areas.
3. Strengthen the economic base of the Village and support Economic Development.
4. Stabilize and upgrade targeted neighborhoods.
5. Create and retain family supporting jobs in the Village.
6. Increase property values and tax revenues.
7. Leveraging the maximum amount of non-village funds into a development and back into the community.

What Development is Eligible?

The type of development that the Village will consider TIF funding for includes:

1. Business development (attraction, retention, expansion). TIF assistance will be evaluated on its impact on existing local markets.
2. Mixed-use developments that creatively integrate commercial and retail projects into a residential development.
3. Revitalization of historically significant or deteriorated buildings.

4. Projects that promote downtown office and retail development.
5. Projects that promote neighborhood stabilization or revitalization.
6. Projects that promote industrial development.
7. Projects consistent with approved TIF Project Plans.
8. Projects that involve environmental clean-up, removal of slum and blighting conditions.
9. Projects that contribute to the implementation of other public policies, as adopted by the village in its strategic plans such as promotion of high quality architectural design, energy conservation (i.e. LEED, Energy Star, etc), green infrastructure, etc.

What Development is Ineligible?

The Village will not favor use of TIF funding to help support the following types of development.

1. Speculative office development without one or more anchor tenants.
2. Relocation of offices, retail and/or commercial uses for purposes other than retaining or substantially expanding the business.
3. Standalone residential development projects unless limited by site and environmental conditions beyond which make the project financially infeasible.
4. Projects not consistent with the Comprehensive Plan.

Eligible Costs

TIF eligible expenditures are defined by Section 66.1105(2)(f) of Wisconsin Statutes, which the Village of Winneconne may further limit on a project by project basis. The following are typical eligible costs.

1. Capital costs, including actual costs of:
 - a. Construction of public works or improvements;
 - b. Demolition, alteration, rehabilitation, repair or reconstruction of existing buildings, structures and fixtures, other than historic buildings and structures.
 - c. Acquisition of equipment to service the district;
 - d. Restoration of soil or groundwater affected by environmental pollution; and
 - e. Clearing and grading of land.

2. Real property assembly costs.
3. Professional service costs (planning, architectural, engineering, and legal).
4. Relocation costs.
5. Environmental remediation.
6. Organizational costs (environmental and other studies, publication and notification costs)
7. Development Incentives in the form of loans or grants.

Criteria for TIF Assistance

All of the following financial criteria will be considered during the review process for TIF assistance.

1. **Equity Requirement.** Developers must provide a minimum 15% equity of total project costs. Projects that exceed the 15% equity requirement will be looked upon favorably by the Village. Equity is defined as cash or un-leveraged value in land or prepaid costs attributable to the project. TIF shall not be used to supplant cash equity.
2. **Maximum Increment Use.** For loans, no more than 75% of the net present value of the tax increment generated by a private development shall be made available to the project. For "pay-go" supported projects up to 90% of the generated annual tax increment can be made available if a financial need is demonstrated and there are no other public infrastructure projects planned in the district.
3. **Payback Period.** Payback period for loans will match the amortization period but in no case will exceed the statutory life of the district. Preference will be given to projects with payback periods of 10 years or under.
4. **TIF Cap.** The total amount of TIF assistance should not exceed 25% of total project costs. This limitation may be waived if the project involves redevelopment of existing structures or the assembly and clearance of land upon which existing structures are located.
5. **Self-Supporting Projects.** Each project requesting TIF assistance should generate sufficient tax increment to cover the requested TIF assistance and a portion of any public infrastructure costs within the district.
6. **Internal Rate of Return.** The amount of assistance provided to a developer will be limited to the amount necessary to provide the developer a reasonable rate of return on investment in the project and the subject site. A developer's return on equity, return on cost or internal rate of return will be based on current market conditions as determined by

the Village or Village's financial advisor. In no case shall the internal rate of return exceed 20%.

7. Taxable Increase. The project should result in an increase in taxable valuation of at least 20% upon project completion.

Process of TIF Approval

Tax Increment District creation requires the following statutory prescribed timelines that include notification to the overlying taxing jurisdictions (i.e. public school district, technical college, county, village), property owners within the district, and published meeting notification in the newspaper. Ultimately the Village's Plan Commission (or Community Development Authority), Village Board, and Joint Review Board all must approve the TIF creation request.

1. A pre-application meeting is held between the developer and the Village.
2. A Tax Incremental Financing Application is submitted by the developer to the Village.
3. The Village will review the Application and determine completeness and whether the proposed project is eligible under the Village's policy and statutory requirements.
4. An analysis of the TIF Plan and financial proformas will be conducted by Village staff and/or outside consultants.
5. Within a reasonable amount of time after receipt and review of a completed application, the Village Personnel and Finance committee will review the application for its impact on the community. Once approved at the committee level, staff will schedule a public hearing before the Plan Commission on the Project Plan and District Boundaries. If approved by the Plan Commission, the Project Plan and recommended boundaries will be sent to the Village Board for review. There is a minimum 14 day wait from the public hearing to Board review.
6. The Village Board may approve or deny the proposal to create the Tax Increment District. The Village Board may also reduce the boundaries of the proposed district from that which was recommended by the Plan Commission. If approved, the plan is forwarded to the Joint Review Board to make the final determination that the development would not proceed "but for" the use of TIF.
7. If approved, a Development Agreement is negotiated and drafted between the Village and Developer.
8. Once general agreement has been reached on the terms of the Development Agreement, it will require approval by the Village Board.
9. Execution of the Development Agreement between the Village and Developer.

Structure for Tax Incremental Financing Assistance

1. Tax Incremental Financing assistance will be provided by the Village on a “pay-go” note method or via bond proceeds. Requests for up-front financing may be considered on a case-by-case basis if increment generation is sufficient to meet initial financing and debt service costs and is not the first dollars spent on a project.
2. For “pay-go” structured projects, the project owner shall agree to pay all other outstanding Village of Winneconne property tax bills prior to disbursement of any pay-go payments by the Village.
3. No Mortgage Guarantees. The Village will not provide mortgage guarantees.
4. Personal Guarantee. The Village will require a personal guaranty for receiving up front TIF assistance. Amount and form shall be acceptable to the Village.
5. The property owner(s) shall agree not to protest to the Board of Review or Circuit Court the Assessor’s determination of the property value for the properties for which the grant is requested.
6. The Village may retain a portion of any tax increment received from the project to reimburse for administrative costs. Until such time as the project generates positive tax increment, the Village may charge an administrative fee to the developer to partially offset the cost of record keeping, report preparation, and accounting.
7. When the project is intended as a for-sale development (i.e., office, retail or residential condominiums), the developer must retain ownership of the overall project until final completion; provided, however, that individual condominium units may be sold as they are completed. For all other projects, the developer must retain ownership of the project at least long enough to complete it, to stabilize its occupancy, to establish the project management and to initiate payment of taxes based on the increased project value.
8. Projects receiving assistance will be subject to a “look back” provision. The look back mandates a developer to provide the Village or its financial advisor with evidence of its annualized cumulative internal rate of return on the investment (IRR) at specified periods of time after project completion. The IRR shall be calculated with equity, revenues, and expenses in accord with generally accepted accounting principles.

When the developer owns the subject property and rents space to tenants, supporting documentation shall include certified records of project costs and revenues including lease agreements and sales on a per square foot basis. If the records indicate that the developer has received a higher return on equity, a higher return on cost, or a higher internal rate of return than originally proposed to the Village at the time of development agreement, the developer and the Village may split, on a 50/50 basis, the increase above

the originally projected rates of return. Terms of any split will be negotiated in a Development Agreement.

When the subject property is a for-sale development and the IRR cannot be completed, the developer is to provide financial data after the project is completed. This shall include a calculation of profit on total development costs minus the TIF assistance. If the financial records indicate that the developer has received a higher return on equity, a higher return on cost, or a higher internal rate of return than originally contemplated at the time of development agreement approval, the developer and the Village may split, on a 50/50 basis, any increase at or above original projected rates of return. Terms of any split will be negotiated in a Development Agreement.

9. Exceptions to TIF Policy. The Village reserves the right to amend, modify, or withdraw these policies or require additional statements or information as deemed necessary. Any party requesting waiver from the guidelines found herein or on any other forms provided for TIF assistance may do so on forms provided by the Village with the burden being on the requestor to demonstrate that the exception to these policies is in the best interests of the Village.