

## Applications of Tax Incremental Financing

Presented By: Gary W. Becker, CEcD  
Vierbicher Associates, Inc.

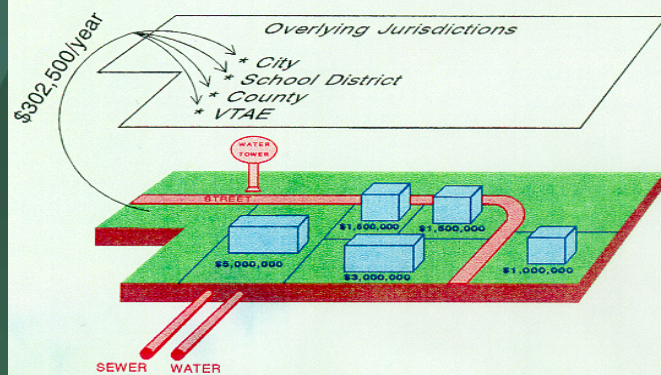
## What is the Purpose of TIF?

“Promote the orderly  
development of the  
city” (or Village)  
ss 66.1105(4)(f)



## How Does TIF Work?

### 3. TAX INCREMENT DISTRICT DISSOLVES



## What Types of Community Development Qualify?

- Industrial Development
- Blight Elimination
- Rehabilitation/Conservation
- Mixed Use

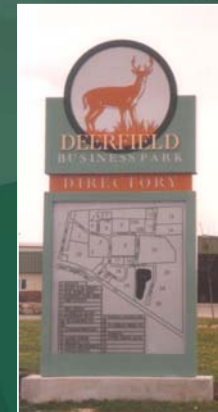
## Industrial Development TIF

- Tool for implementing Economic Development Strategy
- Promote industrial site development
  - Land
  - Infrastructure
  - Incentives
  - Address impacts
- 50% of area zoned and suitable for industrial development
- Industrial zoning for the duration of the TIF

## Industrial Development Case Study

### Deerfield Situation

- 15 miles east of Madison
- Population: 1,900
- Wanted to create manufacturing employment and build industrial tax base



## Industrial Development Case Study (continued)

### Deerfield Solution

- Created TID #2 on vacant agricultural land near downtown
- Provided infrastructure and sold land at discounted rate
- Quickly filled all available parcels
- Later amended the TID to include more area to the west – final size 140 acres



## Industrial Development Case Study (continued)

### Deerfield Results

- \$8.7 million of industrial tax base
- 275 jobs
- 9 businesses

## Redevelopment TIF

- Includes blight elimination & rehab/conservation
- Promote redevelopment, rehabilitation or reconstruction of underutilized, deteriorated, obsolete, or blighted areas
- Tool for implementing Comprehensive Plan or Economic Development Strategy
- 50% of area must meet definition of blighted area or found to be in need of rehab or conservation work

## Redevelopment Case Study

### Brodhead Situation

- Downtown had an abundance of deteriorating and vacant historic buildings
- Former industrial facilities and Middle School near downtown had been vacant for years
- Contamination was suspected on vacant industrial sites



## Redevelopment Case Study

### Brodhead Solution

- Two Redevelopment TIFs in 2004
- Attracted a hotel/bicycle shop business and renovated a vacant downtown building
- Received DNR grant to assess industrial contamination
- Currently looking for developers to renovate former school and create new housing within an existing neighborhood
- Creating jobs, housing, and tax base on underutilized property within existing City limits



## Mixed Use TIF

- Promote combination of commercial, industrial, or residential land uses
- Supports Wisconsin's Smart Growth Law
- New residential areas
  - Less than 35% is newly platted residential
  - Density of at least 3 units/acre
  - Traditional Neighborhood Design
  - Conservation subdivision
- Tool for implementing comprehensive or land use plan

## Mixed Use Case Study

### Ripon Situation

- Deteriorated structures & lack of infrastructure was restraining development in the western commercial corridor.
- New residential development was occurring outside of City limits in the township.
- Existing residential development was adjacent to commercial corridor but no access points existed.



## Mixed Use Case Study

### Ripon Solution

- TID #6 created to assist in clearing & converting underutilized parcels to higher uses.
- Infrastructure is planned to open up vacant land behind corridor to development.
- 50 acres planned for new residential development.
- Connections planned between commercial & residential to promote mixed-use development.



## Why Do Developers Need TIF?

### What is a Developer?

- Coordinator – matches site with market and investors
- Manager/expeditor of development process

### ➤ Developers Do Projects That Can Attract Investment

## Why Do Developers Need TIF?

### Investment Driven By:

- Risk
- Rate of Return

### Risk Factors:

- Markets (demand, absorption, price)
- Location (access, land use, neighborhood)
- Environmental (known & unknown issues)
- Other

## Why Do Developers Need TIF?

Desired Development Often Cannot Attract Investors

- Required Site Improvements Cannot Be Covered by Market Price/Rents
- Market Demand is Soft or Unproven
- In General, The Return Generated by the Project is Not Sufficient to Compensate for the Risk Involved

## Why Do Developers Need TIF?

TIF Provides Cash to Reduce Risk or Increase Returns - Making Desired Projects Desired Possible

## Dealing With Developers

Or any Recipients of TIF benefits

- Points to keep in mind
  - TIF is not an entitlement
  - TIF is not a property tax exemption
  - TIF is not a “giveaway”

## Dealing With Developers

Evaluation of Requests

- Public benefit vs. private need
- Gap Analysis
- Pay back
- Development & fiscal impacts
- Quality of development
- Consistency with other plans

## Managing TIF Risks

### Primary Tools

- Establish standards
- Timing of expenditures relative to expected increment
- Development agreements to secure property value on a schedule

## Managing TIF Risks

### Development Agreement

- Recipient Commitments
  - Demonstrating need
  - Tax base creation deadline
  - Property is taxable for duration of TIF
  - Project meets criteria established by community
  - Payback provisions or penalties

## Managing TIF Risks

### Development Agreement

#### – Community Commitments

- Provide TIF assistance in a specified form - infrastructure, site development, land write-down, cash, labor training, etc.
- Monitoring progress to meet agreement terms

## Managing TIF Risks

### Securing Development Agreement

- Mortgage or lien on property
- Personal Guarantee
- Performance bond
- “Pay As You Go” or Developer-Financed

## Developer Financed TIF

- Borrowing is from developer
- Payment comes from tax increment
- Moral Obligation vs. General Obligation Debt

## Developer-Financed TIF

### Advantages to the Municipality:

- The municipality uses none of its constitutional debt capacity (debt ceiling - 5% of the equalized value)
- Financial risk for sufficient incremental gains is transferred from the municipality to the developer
- No impact on credit/bond rating

## Developer-Financed TIF

### Advantages to the Developer:

- Allows the municipality to increase the amount spent on project costs
- The developer bond creates an asset that can be pledged as collateral to a financial institution to fund the developers project

## Questions?

For more information:  
Gary W. Becker, CEcD  
[gbec@vierbicher.com](mailto:gbec@vierbicher.com)



Vierbicher Associates, Inc.  
999 Fourier Drive, Suite 201  
Madison, WI 53717  
(608) 826-0532





## ***Department of Commerce***

---

- ◆ Vision – To make Wisconsin the best place to live and do business
- ◆ Mission – Drive retention and creation of quality jobs and promote safe and healthy communities



## ***Department Divisions***

---

- ◆ Business Development
- ◆ Housing and Community Development
- ◆ Investment and Export
- ◆ Administrative Services
- ◆ Safety and Buildings
- ◆ Environmental and Regulatory Services



## ***Division of Business Development***

---

- ◆ Coordinates and Facilitates Business Creation, Retention and Expansion Efforts in Wisconsin
- ◆ Underwrites and Administers Business Development Programs
- ◆ Promotes Entrepreneurship and Minority Business Development



## Resources for:

---

- ◆ Entrepreneurs - Wisconsin Entrepreneurs' Network ([www.wenportal.org](http://www.wenportal.org))
- ◆ Capital Financing
- ◆ Employee Training
- ◆ Technology Development
- ◆ Minority and Women Owned Business Certification
- ◆ Small Business Clean Air Technical Assistance



## Area Development Managers

---

- Region 1:** Marty Ambros  
715/836-2630
- Region 2:** Deb Clements  
715/344-1381
- Region 3:** Dennis Russell  
920/498-6302
- Region 4:** Dave Martens  
608/261-7711
- Region 5:** Kathy Heady  
608/266-9944
- Region 6:** Mary Perry  
414/220-5368



## ***Division of Housing and Community Development***

---

The Division has a Broad Range of  
Financial and Technical Assistance  
Programs to:

- ◆ Increase Affordable Housing Options
- ◆ Assist Homeless Persons
- ◆ Improve Community Vitality
- ◆ Expand Economic Opportunities



## ***Resources for:***

---

- ◆ Brownfields Redevelopment
- ◆ Community Based Economic Development
- ◆ Main Street Program
- ◆ Public Facilities
- ◆ CDBG Housing
- ◆ HOME
- ◆ Homeless Programs/Initiatives



## ***Division of Investment and Export***

---

- ◆ Helps sell Wisconsin Products and Services around the Globe
- ◆ Oversees Forward Wisconsin



## ***Resources for:***

---

- ◆ International Business Counseling & Education
- ◆ Market Research
- ◆ International Promotions and Market Development, Including – Trade Missions, Trade Show Grants, Buyers' Missions, Client/End User Search, and Agent/Distributor Search



## ***Communications***

---

- ◆ Internet: [www.commerce.wi.gov](http://www.commerce.wi.gov)
- ◆ Area Development Manager (see map)
- ◆ Entrepreneurs Network: [www.wenportal.org](http://www.wenportal.org)
- ◆ SBDC Answerline: 1/800-940-7232

