

TAX INCREMENTAL FINANCING

CDA Presentation May 24, 2021




TIF *US.* *TID*

TIF (Tax Incremental Financing)

- A financing option that allows a municipality to fund infrastructure and other improvements through property tax revenue of newly developed property

TID (Tax Incremental District)

- The contiguous geographical area identified for development using TIF
-
- 

History of TIF & Background

-STATE 1975 FOR BLIGHT IN URBAN NEIGHBORHOODS

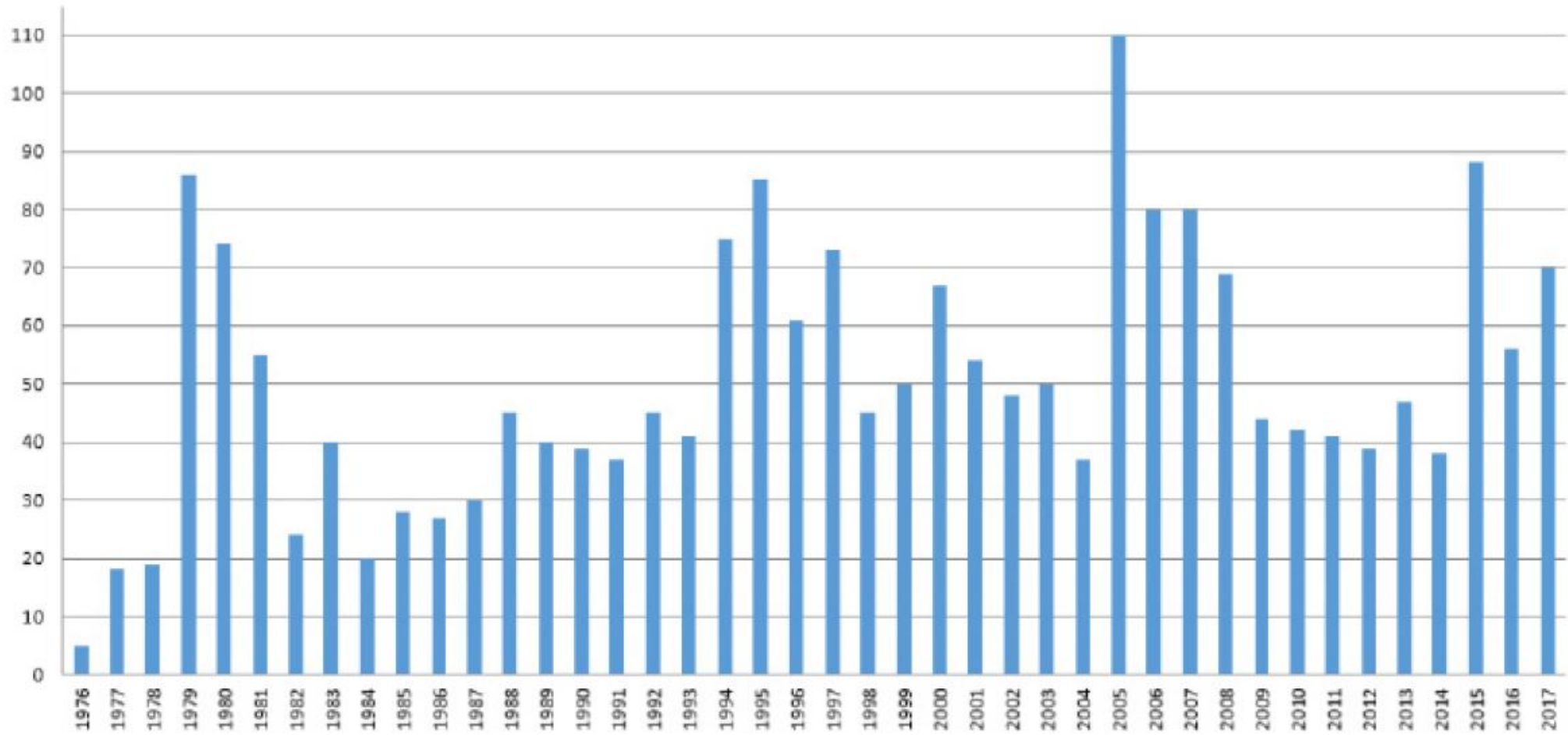
-STATE 2004 MIXED USE WAS ADDED AS A TYPE

-STATE REPORTED IN 2019 1,261 ACTIVE DISTRICTS

-VILLAGE CREATED TID 4 2018

-PLANS TO CLOSE TID 3 IN 2022

Annual TID Creation



State of Wisconsin Annual TID Creation (taken from WI DOR Tax Incremental Financing Manual)

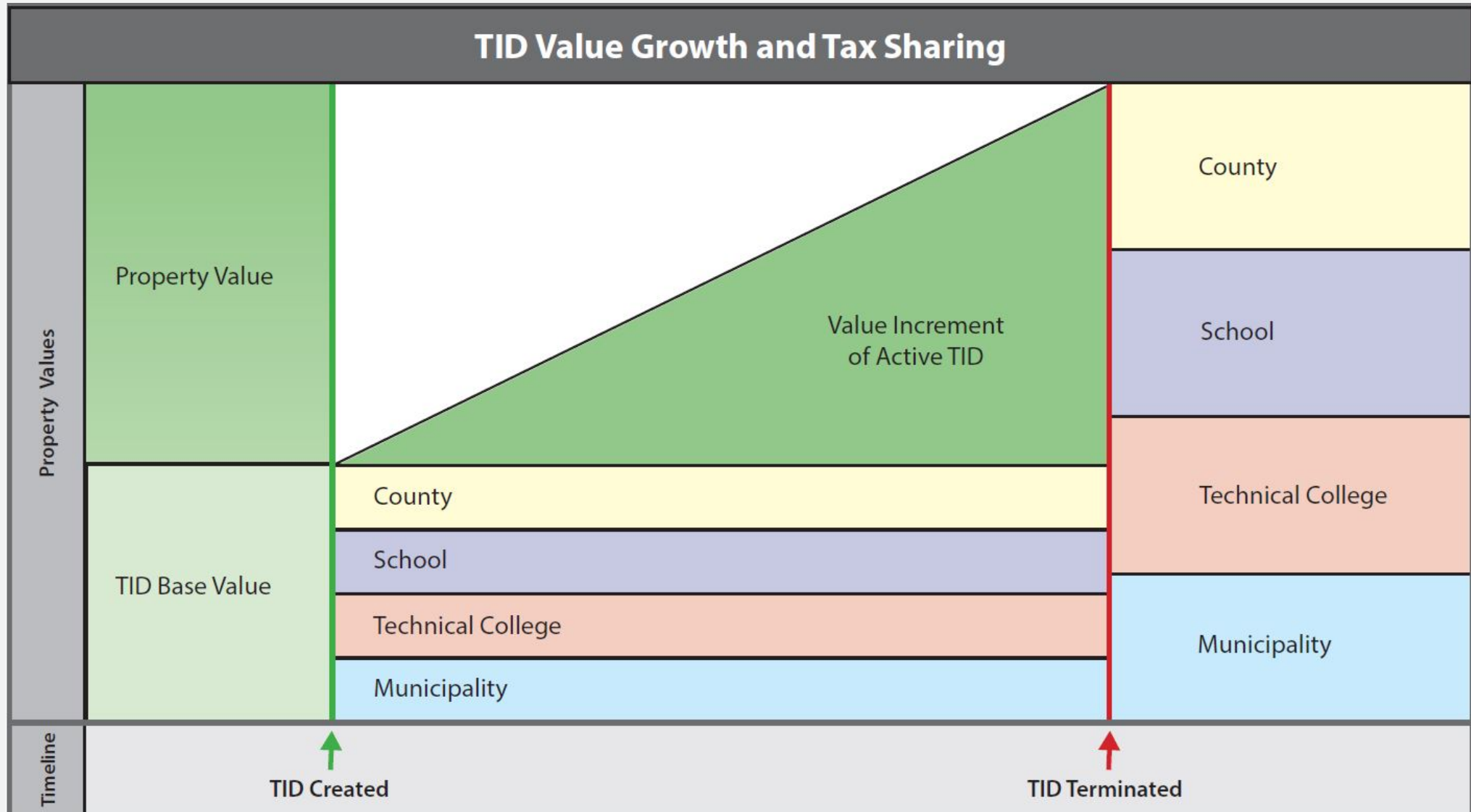
Type of TID Districts

- Blight
- Rehabilitation or Conservation
- *Industrial
- *Mixed Use (residential, commercial, industrial – no more than 35% of area residential)
- Environmental Remediation

**Village of East Troy has used this type of District*

*HOW
TIF
WORKS*

How TIF Works



Graphic taken from WI DOR 2019 Tax Incremental Financing Manual 2

Creation Requirements



“But for” test

- The development would not occur but for the use of TIF

• Project Plan

- Outlines boundaries and plans for district
- Projects to be funded with TIF
 - Streets/Sidewalks/Gutters
 - Water/Sewer Infrastructure
 - Property
 - Pay-go (cash grants) – only allowed with a developer’s agreement
- Financial Projections
- Total TID Value Cannot Exceed 12% of Equalized Value

TID 4 Project Plan Equalized Value Test

SECTION 6: Equalized Value Test

The following calculations demonstrate that the Village is in compliance with Wisconsin Statutes Section 66.1105(4)(gm)4.c., which requires that the equalized value of the taxable property in the proposed District, plus the value increment of all existing tax incremental districts, does not exceed 12% of the total equalized value of taxable property within the Village.

The equalized value of the increment of existing tax incremental districts within the Village, plus the base value of the proposed District, totals \$36,143,869. This value is less than the maximum of \$43,893,348 in equalized value that is permitted for the Village of East Troy. The Village is therefore in compliance with the statutory equalized valuation test and may proceed with creation of this District.

Village of East Troy, Wisconsin				
Tax Increment District # 4				
Valuation Test Compliance Calculation				
District Creation Date	4/23/2018			
	Valuation Data	Dollar	Percent	Valuation Data
	Currently Available	Charge	Change	Est. Creation Date
	2017			
Total EV (TID In)	365,777,900			365,777,900
12% Test	43,893,348			43,893,348
Increment of Existing TIDs				
TID #3	34,419,000			34,419,000
				0
				0
				0
				0
				0
Total Existing Increment	34,419,000			34,419,000
Projected Base of New or Amended District	1,724,869			1,724,869
Total Value Subject to 12% Test	36,143,869			36,143,869
Compliance	PASS			PASS

APPROVAL PROCESS




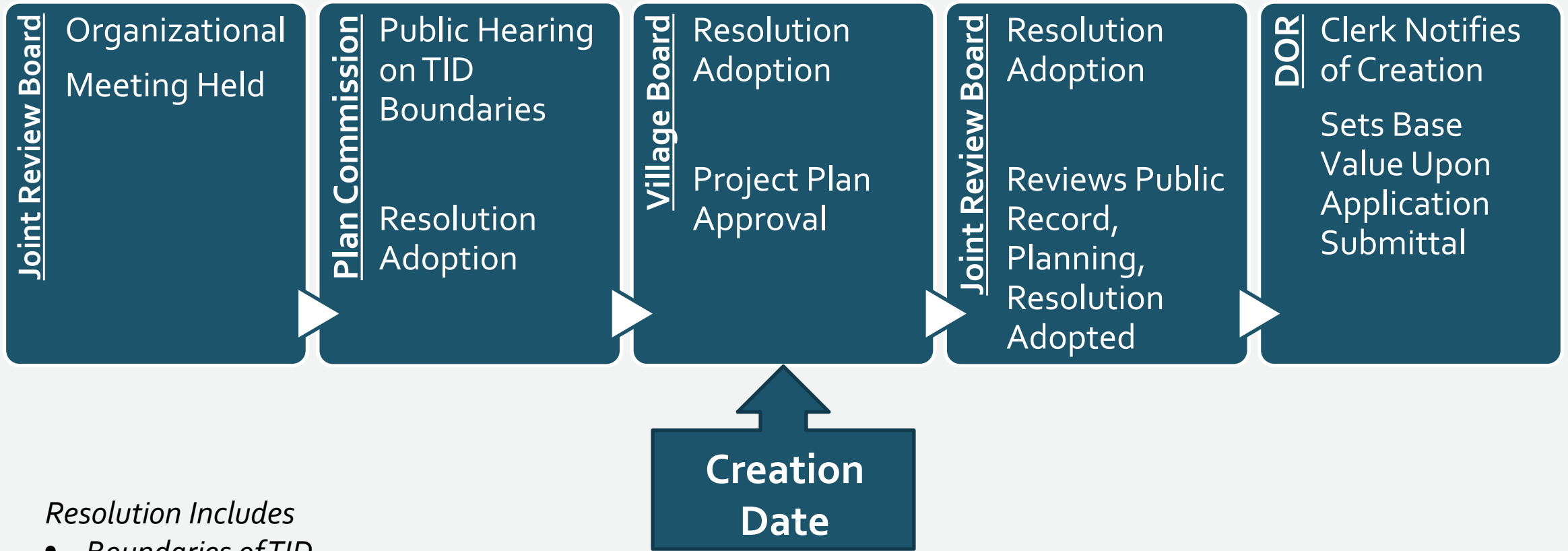
Joint Review Board

Meets Twice During Process

- Initial Review of Proposal and Referral to Plan Commission and Village Board
- Final Review of Plan Commission and Village Board Approvals

Composition

- Representatives from Each Taxing Jurisdiction and One Citizen Member
 - County Finance Director, ET School District Business Director, Gateway Technical College Rep, Village President, and Village Citizen
- 



Resolution Includes

- *Boundaries of TID*
- *Approval of Project plan*
- *Statement that TID Promotes Orderly Development in the Municipality*

**Public Hearing Requires Proper Advance Notification Published in Paper and to Property Owners in Some Instances*



*ACCOUNTABILITY
REQUIREMENTS*

Annual Reports

Village of East Troy, Wisconsin

Tax Increment District #3

Cash Flow Projection After Subtraction

Year	Projected Revenues					Expenditures							Balances				Year	
	Tax Increments	Interest Earnings/ (Cost)	Other Revenue	PILOT	Total Revenues	2012 Refunding Issue 4,198,900 Dated Date:			Repay Advance for Clean Water Fund Loan	Accurate Housing PAYGO	Capital Projects/ PAYGO/ Admin	Interest on Advance from Water	Total Expenditures	Annual	Cumulative	Principal Outstanding		Principal Outstanding & PAYGO
						Principal	Est. Rate	Interest										
2015	579,887	836	1,621	19,126	601,470	378,800	2.000%	80,527					499,587	101,883	610,027	3,757,900	3,757,900	2015
2016	577,458	1,850	1,962	18,438	599,708	422,100	2.000%	72,518	807,598				1,313,055	(713,347)	(103,320)	3,335,800	3,490,959	2016
2017	648,501	1,372	1,665	19,054	670,592	464,900	2.000%	63,648					546,142	124,450	21,130	2,870,900	3,026,059	2017
2018	736,051	4,705	1,689	19,640	762,085	503,900	2.000%	53,960					583,141	178,944	200,074	2,367,000	2,522,159	2018
2019	765,433	161			765,594	541,900	2.000%	43,502					645,567	120,027	320,100	1,825,100	1,944,453	2019
2020	736,496	256			736,752	579,700	2.000%	32,286					671,206	65,546	385,646	1,245,400	1,328,947	2020
2021	736,496	311			736,807	613,200	2.000%	20,357					683,851	52,956	438,602	632,200	687,898	2021
2022	736,496	334			736,830	632,200	2.000%	7,112					673,090	63,740	502,342	0	27,849	2022
2023	736,496	348			736,844								32,759	704,085	1,206,427	0	(0)	2023
2024	736,496	1,321			737,817								8926	728,891	1,935,318	0		2024
2025	736,496	2,296			738,792						0	0	0	738,792	2,674,110	0		2025
2026	736,496	3,272			739,768						0	0	0	739,768	3,413,878	0		2026
2027	736,496	4,250			740,746						0	0	0	740,746	4,154,624	0		2027
2028	736,496	5,229			741,725						0	0	0	741,725	4,896,349	0		2028
2029	736,496	6,210			742,706									742,706	5,639,054			2029
2030	736,496	7,192			743,688									743,688	6,382,742			2030
2031	736,496	8,175			744,671									744,671	7,127,413			2031
2032	736,496	9,160			745,656									745,656	7,873,069			2032
Total	12,881,774	57,279	6,937	76,258	13,022,248	4,136,700		373,910	807,598	155,159	120,124	63,833	5,657,323	7,364,925				Total

Notes: 2018 Fund Balance reflects advance from Water Utility of \$367,301

Projected TID Closure

New Legislation 2015 – Standing JRB to meet annually and review TID performance

Annual reporting requirements to County and State

Periodic Audits

1. 30% of Project Costs are Expended
2. At the Conclusion of the Expenditure Period
3. After TID is Terminated



Risk *vs.* *Benefit*

Benefits

- Promote growth in areas that would not have been economically feasible for developer
- Support existing businesses by bringing in customers (employees of companies or residents)
- Increase Tax Base

Risks

- If increment is not enough – taxpayers pay debt issue
 - Mitigate by developing in phases
 - Adequate protections in development agreements
 - Compromise existing development if competing businesses
 - Mitigate follow comprehensive plan/attract development
-

TID 3 Value Upon Closure

Increase in Value

- Base Equalized Value on Creation in 1998 = \$528,800
 - Equalized Value 2019 = \$36,481,300
 -  \$35,952,500
-
- If Closed Today
 - Village Levy  \$239,190
 - School Levy  \$329,295
 - *County and Gateway Levy amounts for 2019 unknown at this time
 - Generally speaking the Village Levy is allowed to increase \$20,000-\$30,000 per year according to Net New Construction
-