

Item 23-0559: Proposed Tax Increment Financing District #13 in Southpoint Commerce Park

City Plan Commission

Wed, May 24, 2023, 3:30PM

Mayor Jake Woodford 17:05

Alright, we'll move on now two information items. We have an information item on our agenda today. This is item 23-0558 proposed tax increment financing district number 13 In Southpoint Commerce Park. Alright. Matt Rehbein, go ahead.

Matt Rehbein (Economic Development Specialist) 17:23

Thank you. So, staff has been busy preparing a Tax Incremental Financing district plan for TID 13. This will be a new Tax Incremental Financing district. We're looking to encompass the entire Southpoint commerce park with this one and only the South Pointe Commerce Park. The primary intent is to complete infrastructure in the area between Coop and Eisenhower. We'll get in much greater nuance into the plan at our next meeting. This really is just intended to be a high-level meeting to tell you, "That's what we're working on." And also, to talk in in term—basic 101 terms, how TIF works. Two slides worth of how TIF law works. And then also talk a little bit about timing and what to expect. Some of these notices regarding this plan are going to start going out between now and the next Planning Commission meeting. So, we just want you to be aware of what's going on beforehand so when and if you get questions, you know.



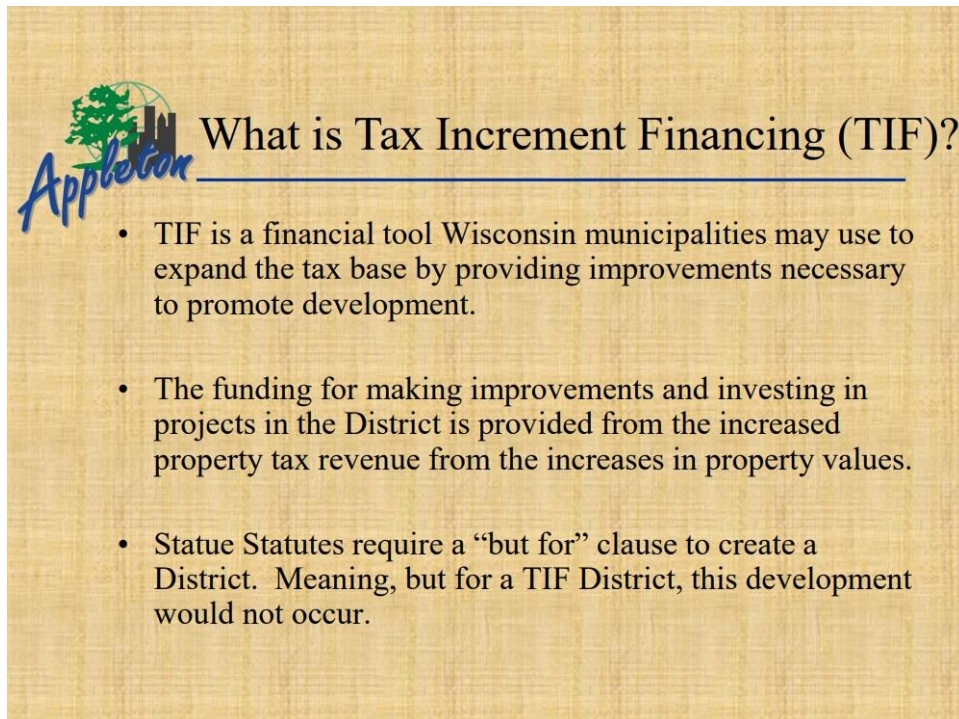
Matt Rehbein (Economic Development Specialist) 18:27

So just a brief refresher. Many of you are aware of this. TIF is a tool that that municipalities have, really the only tool that municipalities have, to help spur development. Tax Incremental Financing is something that we have used before this area had—we just closed TID 6 last year, or—yeah, last year is when it actually closed, and then

it came off the tax rolls this year. It allows us to make improvements and investments in the district to promote development. In this case, it'll be to promote industrial land and industrial and manufacturing development which is something that's hard to do on a case-by-case basis, which is why it's allowed and supported by the state.

Matt Rehbein (Economic Development Specialist) 19:13

The other thing to keep in mind is state statutes require that we meet what's called the "but for" clause meaning that but for the creation of this TIF district or support with a TIF district, this development would not occur. And often that's met by recognizing the fact that the cost to put this infrastructure in by a private developer or private entity would not justify what they could gain as a return on this. And in so doing, we would not see that development happened in our community without creating this district. All those things are explained in the plan in greater detail, which we'll be talking about next time.



What is Tax Increment Financing (TIF)?

- TIF is a financial tool Wisconsin municipalities may use to expand the tax base by providing improvements necessary to promote development.
- The funding for making improvements and investing in projects in the District is provided from the increased property tax revenue from the increases in property values.
- State Statutes require a “but for” clause to create a District. Meaning, but for a TIF District, this development would not occur.

Matt Rehbein (Economic Development Specialist) 19:53

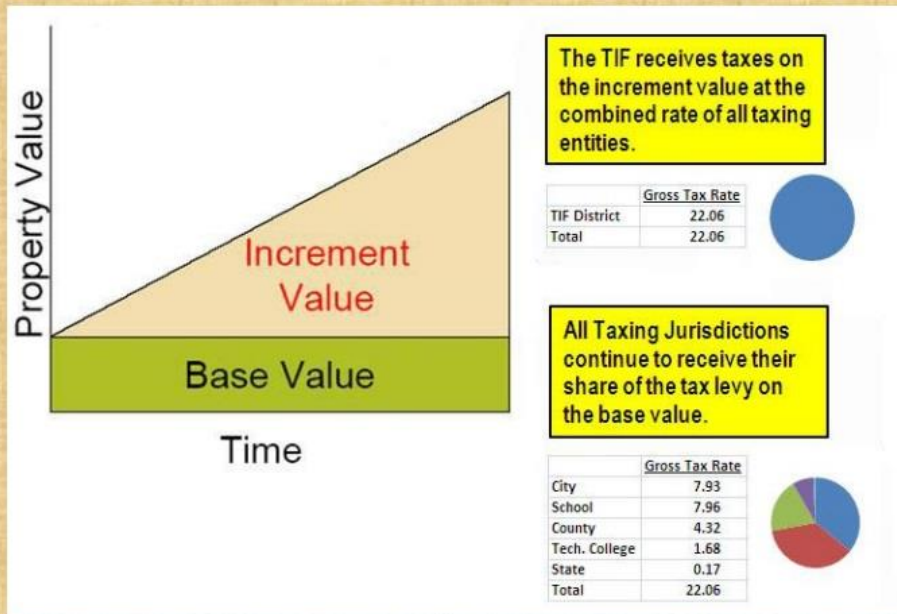
But just a real quick overview, and I can't read those numbers from here. I'm guessing you can't either. I don't know. A lot of you have younger eyes than me. But the main thing is the chart—the green and tan chart. When we create a TIF district, the year that we create it, we establish a base value. So that's the assessed value as of January 1 of the year of creation. And from that base value, all of the taxing entities—the county, school district, Technical College—all agree, that we're going to receive the same amount for the life of the district in tax receipts and then the remainder—that tan area—gets reinvested in the district. And that's how we're able to use the tax increment that's generated to help pay for a lot of those improvements that we put into the district.

Matt Rehbein (Economic Development Specialist) 20:47

Once the district closes, those numbers go back up, and all the taxing entities, again, received their pro rata share of the increased amount. And so that's very broadly how TIF works. This chart does have some dollar figures or mill rates in there specifically, but I think that that's the main thing to keep in mind at this stage of the game.



How TIF Districts Work



Mayor Jake Woodford 21:07

So sometimes folks get confused about how the how the actual financing works. Sometimes there's an impression that the city's just gonna cut a check for the total amount. In fact, there was recently a report in the paper about a project downtown. City's gonna give a developer \$4 million to do a project. Can you just help us understand how that actually works in terms of the—how the resources flow and what that actually looks like? Is it just the city cutting a check out of the general fund? Of course, I know the answer, but would you please?


Matt Rehbein (Economic Development Specialist) 21:44

I feel set up, but yes, yes, I can answer that. And, no, it is not simply the city cutting a check. So that tan area that I talked about where that increment is generated over the life of the district, that is where the money comes from to help pay for any developer incentives, any infrastructure improvements, any costs to the TIF district. That money is paid, typically, over time, as those tax receipts are received. And so that's where that money comes from is it all comes from tax receipts by the additional development in that district.

Matt Rehbein (Economic Development Specialist) 21:44

And actually, I have an example here. So just using real round numbers, if we have a development project of— with a base value of \$1,000,000.0—\$5 million in new construction is added, for a total of \$6 million. You look at the base value of those taxes is just over \$22,000, or \$22,060 in this example, and then a portion goes to the

city, the school, the county, the technical college, the state, and those amounts will hold the same through the life of the district. That's the green area I was showing in the previous chart. The increment value of taxes, or the taxes on that additional \$5 million is just over \$110,000. And so that is the money that then we can use to reinvest in the district, whether that's infrastructure, whether that's a developer incentive, and that goes on for the life of the district. An industrial district we can create for up to 20 years. And so, as more projects come in, there's more money to work with in terms of those incentives and those projects that we're able to undertake.



How TIF Districts Work: Example


Development Project Example:

- Base Value: \$1,000,000
- New Construction Value: \$5,000,000
- Total Value: \$6,000,000

- Base Values Taxes: \$22,060
 - City: \$7,930
 - School: \$7,960
 - County: \$4,320
 - Vocational/Tech: \$1,680
 - State: \$170
- Increment Value Taxes: \$110,300
- Total Taxes Paid: \$132,360

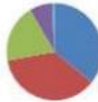
The TIF receives taxes on the increment value at the combined rate of all taxing entities.

	Gross Tax Rate
TIF District	22.06
Total	22.06



All Taxing Jurisdictions continue to receive their share of the tax levy on the base value.

	Gross Tax Rate
City	7.93
School	7.96
County	4.32
Tech. College	1.68
State	0.17
Total	22.06



Mayor Jake Woodford 23:34

So then, at the end of the life of the district, all of that new tax money—so the base value plus the increment value—then then comes back on the tax rolls in full, right?

Matt Rehbein (Economic Development Specialist) 23:46

Correct. So, if we go back to this one—I don't know. Yeah, so my cursor is following. So we've got the base value that we had at the year that the TID was created, but what will happen at the end of it—I lose my cursor—but property values at the end (the top of that tan area) will all go back on the tax rolls at the end of the life of the district, at which point, the percentages that go to each taxing entity will resume.

Mayor Jake Woodford 24:21

Thank you.

Matt Rehbein (Economic Development Specialist) 24:25

Any other questions about how it works for now?

Mayor Jake Woodford 24:30

Let's get a microphone. Commissioner Dane.

Andrew Dane (City Plan Commissioner) 24:33

All right, um, it's not really a question of how it works, but I was just curious what it what is the city's like percent of equalized value that's in TIF districts currently just out of curiosity.

Matt Rehbein (Economic Development Specialist) 24:45

So, I just had to calculate that for the project plan and it's just a touch over 4%.

Andrew Dane (City Plan Commissioner) 24:51

Okay.

Matt Rehbein (Economic Development Specialist) 24:52

And the state limit is 12. So, we're well under it.

Matt Rehbein (Economic Development Specialist) 25:00

So, unless there are other questions on operation, I'll talk a little bit about the approval process and what we can expect and what you can expect to see.

Matt Rehbein (Economic Development Specialist) 25:08

So, as I mentioned, we're working on a project plan. Hope to have that completed. We're hoping to send out our first round of notices June 7. So hopefully we have it completed by then. There are a whole lot of statutory requirements in terms of what's in there. Some of you have seen them before, and you'll—we'll certainly have that on the agenda for the next meeting.

Matt Rehbein (Economic Development Specialist) 25:33

Public notices on June 7. We're anticipating those public notices will go out to all the taxing entities. In this case, that'll be Kimberly School District, Calumet County, Fox Valley Technical College, and the city of course. And there's a public hearing at the Planning Commission to approve the project plan and boundary. We're anticipating that for the next meeting on June 28. So, you can expect to see that in the next agenda. And after that, we look for the Common Council to approve the boundary and project plan as well.

Typical TIF District Process

- A Project Plan is developed by the community creating the District, which defines the project, boundary of the district, costs, financing, economic feasibility, eligibility of community to create a district (limit based on % of equalized value).
- Public notices to all taxing entities, which make up the Joint Review Board.
- Public Hearing at Plan Commission, approval of project plan and boundary.

Matt Rehbein (Economic Development Specialist) 26:11

After that, the joint review board will consider the TIF district proposal. There's—they have to affirm that it meets the "but for" clause as well as some other requirements. We're anticipating that meeting on July 20. And then we send the whole package to the state to make sure that we followed all the all the requirements. So just wanted to give you a heads up with the timing how these things flow. Like I said, I wanted to make sure that you hear about this before those notices go out on June 7, knowing that we're not going to be talking about it 'til the end of June. And that's all I have prepared, but I'm happy to field questions.



Typical TIF District Process, (Continued)

- Council/Board adopts the boundary and project plan.
- Joint Review Board considers the TIF District proposal and must affirm:
 1. “But for” the TIF, the development would not occur.
 2. The economic benefits of the TIF District are sufficient to compensate for the costs of improvements.
 3. The benefits of the TIF District outweigh the tax increments paid by the taxpayers.
- Department of Revenue must then certify the TIF District.



Plan Commission Role in TIF District

- Hear public testimony on the proposed boundaries and Project Plan for TIF District #13 (June 28, 2023).
- Consider adoption of the Resolution approving the boundaries and Project Plan, which includes a recommendation to the Common Council to authorize the creation of TIF District #13 (Common Council July 19, 2023)

Mayor Jake Woodford 26:55

Go ahead. Commissioner Palm.

Adrienne Palm (Commissioner) 26:56

Yes, I was just curious for I guess my own informational purposes and questions that we might field, can you just talk a little bit about how from the distribution of the funds perspective, when it comes to infrastructure versus incentives for development, how are those determinations made? And is that—are there, are those determinations being made annually during the life of the TIF? Is it something that's determined before it's approved? I just—a little clarity on that would be great.

Matt Rehbein (Economic Development Specialist) 27:26

So, we put—all of that'll be in the project plan. What we tend to do is, in the project plan, we'll talk about the things that we can spend funds on. And then we also have a forecast of what we anticipate spending funds on. And so, you know, we do our best with a crystal ball to guess where the market is going to be at. You know, probably five to 10 years ago, we needed to provide some support to get some get some projects going. As it is today, the market's moving well enough that we don't have to provide those incentives. And so that'll all be delineated in the plan as far as what we're anticipating or if we're anticipating anything in terms of developer incentives. But right now, the primary focus is to get that infrastructure into that area between Coop and Eisenhower because we're running out of inventory.

Adrienne Palm (Commissioner) 28:17

All right, thank you so much.

Mayor Jake Woodford 28:19

Director Homan, your mic, please? Go ahead.

Director Kara Homan (Community And Economic Development) 28:24

I did just want to add that, as part of our annual budget process, we do have budget cost centers or budget sections for all of the various Tax Incremental Financing districts. So, we work very closely with our finance director to make sure that we're budgeting for all of our debt service payments, all of our existing development agreements, and that we have a good handle on what if any increment do we have left to make expenditures for the following budget year?

Mayor Jake Woodford 28:54

Any further questions? Right. Thank you very much.