

Fiscal Estimate Narratives
DOR 11/29/2019

LRB Number	19-4515/1	Introduction Number	SB-560	Estimate Type	Original
Description : changes to a tax incremental district joint review board's voting requirements, requiring that a tax incremental district's project plan include alternative economic projections, and limiting the amount of cash grants a city or village may provide to a developer					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, a city (or village) may create a tax incremental district (TID) in part of its territory to foster development under certain conditions. TIDs have joint review boards that consists of five members—three members represent the overlying taxing jurisdictions (school board, county, and technical college district), one member from the city, and one public member. Current law generally requires a majority vote for certain actions, such as TID creation, territory amendments, or having the tax incremental base redetermined. Under the bill, on October 1, 2020, except for a multijurisdictional TID, three affirmative votes would be required to constitute a majority. The bill requires unanimous votes for project plan amendments that add territory or extend the original termination date. After October 1, 2020, the bill removes the 4-amendment limit to a TID's project plan to modify the TID boundaries. The bill also requires the project plan to include alternative economic projections, including one where public work begins 3 years later than expected and where the rate of property growth value growth is at least 10 percent lower than expected.

Current law authorizes a city or village to make cash grants to owners, lessees, or developers of land in a TID if the grant recipient has entered into a development agreement with the city or village. Under the bill, allowable cash grants may not exceed 20 percent of the total project costs of a TID—including financing costs attributable to the grants. The 20 percent limitation does not apply if the signed development agreement states the developer or another private entity agrees to create public improvements in the proposed district and agrees to finance the cost of all public infrastructure improvements with the city repaying those costs through grant payments.

The local fiscal effect is indeterminate as the bill would have varying impacts on proposed TIDs. The department does not maintain data on proposed cash grants or review detailed project costs. Based on annual financial reports, cash (developer) grants (\$107 million annual average) represent approximately 12 percent of total expenditures (\$920 million average). Approximately 14% of TIDs had cash grant costs exceeding 20 percent of total expenditures annually. The number of TIDs impacted by the 20 percent limitation may be significantly smaller given the limitation is based on total project costs.

Removing the territory amendment limitation may result in more TIDs amendments and increased work for the department. The department has reviewed 11 territory amendments for 2019, and 10 were approved by votes of 5-0 or 4-0, while 1 amendment was approved with 4-1 vote. Only 5 active TIDs have four or more amendments. The majority of TIDs (59 percent) have had no territory amendments.

Long-Range Fiscal Implications