2001 SENATE BILL 311

November 7, 2001 – Introduced by Senator Burke, cosponsored by Representative Musser. Referred to Committee on Universities, Housing, and Government Operations.

1   AN ACT *to repeal* 66.1105 (4) (gm) 5.; *to amend* 66.1105 (4) (gm) 1., 66.1105 (4)

2   (gm) 4. a. and 66.1105 (4) (gm) 4. bm.; and *to create* 66.1105 (4) (gm) 4. d. of the

3   statutes; **relating to:** limiting the uses of tax incremental financing.

Analysis by the Legislative Reference Bureau

Under the current tax incremental financing (TIF) program, a city or village may create a tax incremental district (TID) in part of its territory to foster development if at least 50% of the area to be included in the TID is blighted, in need of rehabilitation, or suitable for industrial sites. Before a city or village may create a TID, several steps and plans are required. These steps and plans include public hearings on the proposed TID, preparation and adoption by the local planning commission of a proposed project plan for the TID, approval of the proposed project plan by the common council or village board, and creation by the city or village of a joint review board to review the proposal. The joint review board, which is made up of representatives of the overlying taxing jurisdictions of the proposed TID, must approve the project plan or the TID may not be created. If an existing TID project plan is amended by a planning commission, these steps are also required.

Currently, unless the TID is suitable for certain industrial sites, property standing vacant for an entire seven–year period immediately preceding the adoption of the resolution that creates the TID may not make up more than 25% of the area in the TID. The bill eliminates this provision.

Also under current law, once a TID has been created, the department of revenue (DOR) calculates the "tax increment base value" of the TID, which is the equalized

value of all taxable property within the TID at the time of its creation. If the development in the TID increases the value of the property in the TID above the base value, a "value increment" is created. That portion of taxes collected on the value increment in excess of the base value is called a "tax increment." The tax increment is placed in a special fund that may be used only to pay back the costs of the TID. The costs of a TID, which are initially incurred by the creating city or village, include public works such as sewers, streets, and lighting systems; financing costs; site preparation costs; and professional service costs. DOR authorizes the allocation of the tax increments until the TID terminates or 23 years, or 27 years in certain cases, after the TID is created, whichever is sooner. TIDs are required to terminate, under current law and with one exception, once these costs are paid back, 16 years, or 20 years in certain cases, after the last expenditure identified in the project plan is made or when the creating city or village dissolves the TID, whichever occurs first.

This bill limits the use tax incremental financing to areas that are blighted or in need of rehabilitation and requires the city or village to adopt a finding that no part of the district includes an area identified as agricultural or forest land.

For further information see the ***state and local*** fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1   **SECTION 1.** 66.1105 (4) (gm) 1. of the statutes is amended to read:

2   66.1105 **(4)** (gm) 1. Describes the boundaries, which may, but need not, be the

3   same as those recommended by the planning commission, of a tax incremental

4   district with sufficient definiteness to identify with ordinary and reasonable

5   certainty the territory included in the district. The boundaries shall include only

6   those whole units of property as are assessed for general property tax purposes.

7   Property standing vacant for an entire 7–year period immediately preceding

8   adoption of the resolution creating a tax incremental district may not comprise more

9   than 25% of the area in the tax incremental district, unless the tax incremental

10   district is suitable for industrial sites under subd. 4. a. and the local legislative body

11   implements an approved project plan to promote industrial development within the

12   meaning of s. 66.1101. In this subdivision, "vacant property" includes property

1   ~~where the fair market value or replacement cost value of structural improvements~~

2   ~~on the parcel is less than the fair market value of the land. In this subdivision,~~

3   ~~"vacant property" does not include property acquired by the local legislative body~~

4   ~~under ch. 32 or property included within the abandoned Park East freeway corridor~~

5   ~~or the abandoned Park West freeway corridor in Milwaukee County.~~

6   **SECTION 2.** 66.1105 (4) (gm) 4. a. of the statutes is amended to read:

7   66.1105 **(4)** (gm) 4. a. Not less than 50%, by area, of the real property within

8   the district is at least one of the following: a blighted area; <u>or</u> in need of rehabilitation

9   or conservation work, as defined in s. 66.1337 (2m) (b)~~; or suitable for industrial sites~~

10 ~~within the meaning of s. 66.1101 and has been zoned for industrial use~~; and

11 **SECTION 3.** 66.1105 (4) (gm) 4. bm. of the statutes is amended to read:

12 66.1105 **(4)** (gm) 4. bm. The project costs relate directly to eliminating blight~~,~~

13 <u>or</u> directly serve to rehabilitate or conserve the area ~~or directly serve to promote~~

14 ~~industrial development~~, consistent with the purpose for which the tax incremental

15 district is created under subd. 4. a.; and

16 **SECTION 4.** 66.1105 (4) (gm) 4. d. of the statutes is created to read:

17 66.1105 **(4)** (gm) 4. d. No part of the district includes an area identified as

18 agricultural or forest land.

19 **SECTION 5.** 66.1105 (4) (gm) 5. of the statutes is repealed.

20 **SECTION 6. Initial applicability.**

21 (1) This act first applies to a tax incremental financing district that is created,

22 or whose project plan is amended, on the effective date of this subsection.

23 **(END)**