



2015 ASSEMBLY BILL 349

September 25, 2015 - Introduced by Representatives CRAIG, KREMER, R. BROOKS, THIESFELDT, NEYLON, BRANDTJEN, JACQUE and HORLACHER, cosponsored by Senators STROEBEL, NASS and VUKMIR. Referred to Committee on Ways and Means.

1 **AN ACT** *to renumber and amend* 66.1105 (4) (g); and *to create* 66.1105 (4) (g)
2 1., 66.1105 (4) (g) 2. and 66.1105 (4) (g) 3. of the statutes; **relating to:** applying
3 financial accountability provisions that currently apply to certain tax
4 incremental districts to all tax incremental districts created by a city or village.

Analysis by the Legislative Reference Bureau

Under the current tax incremental financing program, a city or village may create a tax incremental district (TID) in part of its territory to foster development under certain conditions. Currently, a town or county also has a limited ability to create a TID under certain limited circumstances. 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 within specified time frames, 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, approval of the city's or village's proposed TID by a joint review board (JRB) that consists of members who represent the overlying taxation districts, and adoption of a resolution by the common council or village board that creates the TID as of a date provided in the resolution.

Under current law, once a TID has been created, the Department of Revenue (DOR) calculates the "tax incremental 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

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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 project costs of the TID.

The project 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, generally, 20 years, 23 years, or 27 years after the TID is created, depending on the type of TID and the year in which it was created. Also under current law, a city or village may not generally make expenditures for project costs later than five years before the unextended termination date of the TID. Under certain circumstances, the life of the TID, the expenditure period, and the allocation period may be extended.

Under current law, a city or village may adopt a resolution, subject to JRB approval and not more than once during a TID’s life, requiring DOR to redetermine the tax incremental base of a distressed TID that is in a decrement situation that has continued for at least two consecutive years. “Decrement situation” is defined as a situation in which the current aggregate equalized value of all the taxable property within the distressed TID is at least 10 percent less than the current value of the TID’s tax incremental base. DOR may charge the city or village \$1,000 for the redetermination.

Under current law, before a town board that is authorized to create certain types of TIDs under the general TID law that applies to cities and villages may approve a project plan, the town board must ensure that the project plan specifies at least one of the following items (accountability practices):

1. With regard to the total value of public infrastructure improvements in the district, at least 51 percent of the value of the improvements must be financed by a private developer or other private entity in return for the town’s agreement to repay those costs solely through the payment of cash grants, and that cash grants must be paid through a development agreement with the town.

2. All project costs are expected to be paid within 90 percent of the TID’s remaining life.

3. Expenditures may be made only within the first half of the TID’s remaining life, unless approved by unanimous vote of the JRB, and subject to the generally applicable limitations on the timing of expenditures under tax incremental financing law.

Similar provisions apply under current law to a distressed TID. Before a city or village may adopt a resolution requiring DOR to redetermine the tax incremental base of a TID that is in a decrement situation, the city or village must amend the distressed TID’s project plan to ensure that it specifies at least one of the accountability practices described above.

Under this bill, the project plans of all TIDs created by a city or village on or after October 1, 2015, must contain at least one of the accountability practices that currently apply to certain town TIDs and distressed TIDs.

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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) (g) of the statutes is renumbered 66.1105 (4) (g) (intro.)
2 and amended to read:

3 66.1105 (4) (g) (intro.) Approval by the local legislative body of a project plan
4 prior to or concurrent with the adoption of a resolution under par. (gm). The approval
5 shall be by resolution which contains findings that the plan is feasible and in
6 conformity with the master plan, if any, of the city. Before the local legislative body
7 may approve a project plan under this paragraph, the local legislative body must
8 ensure that the project plan specifies at least one of the items listed in this
9 paragraph. The starting point for determining a tax incremental district's
10 remaining life, under subds. 2. and 3., is the date on which the district is created, as
11 described in sub. (4) (gm) 2. The project plan must specify at least one of the
12 following:

13 **SECTION 2.** 66.1105 (4) (g) 1. of the statutes is created to read:

14 66.1105 (4) (g) 1. With regard to the total value of public infrastructure
15 improvements in the district, at least 51 percent of the value of such improvements
16 must be financed by a private developer, or other private entity, in return for the city's
17 agreement to repay the developer or other entity for those costs solely through the
18 payment of cash grants as described in sub. (2) (f) 2. d. To receive the cash grants,
19 the developer or other private entity must enter into a development agreement with
20 the city as described in sub. (2) (f) 2. d.

21 **SECTION 3.** 66.1105 (4) (g) 2. of the statutes is created to read:

