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Details:

(FORM UPDATED: 08/11/2010)

**WISCONSIN STATE LEGISLATURE ...
PUBLIC HEARING - COMMITTEE RECORDS**

2009-10

(session year)

Senate

(Assembly, Senate or Joint)

Committee on ... Economic Development (SC-ED)

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
 - (**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
 - (**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

* Contents organized for archiving by: Gigi Godwin (LRB) (July/2011)

Senate

Record of Committee Proceedings

Committee on Economic Development

Senate Bill 291

Relating to: authorizing the designation of a tax incremental district as distressed and expanding the use of donor tax incremental districts.

By Senators Sullivan, Schultz, Holperin, Kreitlow, Taylor and Vinehout; cosponsored by Representatives Molepske Jr., Ripp, Radcliffe, Davis, Staskunas, Brooks, Townsend, Soletski, Clark, Zepnick, Hintz, Petersen and Hixson.

September 16, 2009 Referred to Committee on Economic Development.

October 22, 2009 **PUBLIC HEARING HELD**

Present: (7) Senators Lassa, Lehman, Vinehout, Kreitlow, Kanavas, Darling and Leibham.

Absent: (0) None.

Appearances For

- Jim Sullivan — Senator, 5th Senate District
- Louis Molepske — Representative, 71st Assembly District
- Roger Herried, Necedah — Village of Necedah
- Michael Harrigan, Whitefish Bay — Ehlers & Assoc. and Wisconsin Economic Development Council
- John Mehan, Milwaukee — Robert W. Baird
- Chris Korjenek, Milwaukee — NAIOP Wisconsin

Appearances Against

- None.

Appearances for Information Only

- None.

Registrations For

- Ed Heck — Wisconsin Alliance of Cities
- Tom Larson, Madison — Wisconsin Realtors Association
- Michael Semman, Madison — Wisconsin Bakers Association
- Amy Boyer, Madison — Wisconsin Economic Development Association
- Curtis Witynski, Madison — League of Wisconsin Municipalities

Registrations Against

Vote Record Committee on Economic Development

Date: 2/25/10

Moved by: Vine

Seconded by: Kanav

AB _____ SB 291 Clearinghouse Rule _____
 AJR _____ SJR _____ Appointment _____
 AR _____ SR _____ Other _____

A/S Amdt _____
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- Be recommended for:
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| <input type="checkbox"/> Passage | <input type="checkbox"/> Adoption | <input type="checkbox"/> Confirmation | <input type="checkbox"/> Concurrence | <input type="checkbox"/> Indefinite Postponement |
| <input type="checkbox"/> Introduction | <input type="checkbox"/> Rejection | <input type="checkbox"/> Tabling | <input type="checkbox"/> Nonconcurrence | |

<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Senator Julie Lassa, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator John Lehman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Kathleen Vinehout	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Pat Kreitlow	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Ted Kanavas	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Alberta Darling	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Joseph Leibham	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Totals:	<u>7</u>	<u>0</u>	_____	_____

Motion Carried

Motion Failed

Vote Record Committee on Economic Development

Date: 2/25/10

Moved by: Vinehout

Seconded by: Kanavas

AB _____ SB 291 _____ Clearinghouse Rule _____
 AJR _____ SJR _____ Appointment _____
 AR _____ SR _____ Other _____

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- Be recommended for:
- Passage Adoption Confirmation Concurrence Indefinite Postponement
 - Introduction Rejection Tabling Nonconcurrence

<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Senator Julie Lassa, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator John Lehman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Senator Pat Kreitlow	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Ted Kanavas	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Alberta Darling	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Joseph Leibham	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Totals:	<u>7</u>	<u>0</u>	_____	_____

Vote Record Committee on Economic Development

Date: 2/25/10

Moved by: Vinehout

Seconded by: Kanavas

AB _____ SB 291 Clearinghouse Rule _____
 AJR _____ SJR _____ Appointment _____
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A/S Amdt 2

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Be recommended for:

- Passage Adoption Confirmation Concurrence Indefinite Postponement
 Introduction Rejection Tabling Nonconcurrence

Committee Member

	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Senator Julie Lassa, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator John Lehman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Kathleen Vinehout	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Pat Kreitlow	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Ted Kanavas	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Alberta Darling	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Joseph Leibham	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Totals: 7 0 _____

Motion Carried

Motion Failed

SB 291
Companion

Vote Record Committee on Economic Development

Date: _____

Moved by: Vinehout

Seconded by: Kreitlow

AB 426

SB _____

Clearinghouse Rule _____

AJR _____

SJR _____

Appointment _____

AR _____

SR _____

Other _____

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Be recommended for:

- Passage Adoption Confirmation Concurrence Indefinite Postponement
- Introduction Rejection Tabling Nonconcurrence

Committee Member

Senator Julie Lassa, Chair

Senator John Lehman

Senator Kathleen Vinehout

Senator Pat Kreitlow

Senator Ted Kanavas

Senator Alberta Darling

Senator Joseph Leibham

Aye No Absent Not Voting

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Totals: 6 0 1 _____

Motion Carried

Motion Failed



312 W. Whitewater Street
P.O. Box 178
Whitewater, Wisconsin 53190

www.ci.whitewater.wi.us
Telephone: (262)473-0101
Fax: (262)473-0509

October 20, 2009

State of Wisconsin
Senate Committee on Economic Development

Re: Support for Senate Bill 291

Dear Committee Members:

Thank you for the opportunity to submit this letter of support from the City of Whitewater for Senate Bill 291.

The current City of Whitewater Tax Increment Finance (TIF) District #4, which encompasses the Whitewater Business Park, Whitewater University Technology Park and commercial redevelopment areas of our community, would benefit by this proposed legislation. This particular TIF District is distressed and the extension of this district by up to 13 years would allow its project costs to be fully paid off. Let me explain what has occurred with this particular district.

In January of 2007, the City of Whitewater entered into an agreement with a local developer to redevelop a blighted property on the city's east side. The City pledged to invest a little over \$1 million in TIF funding to install the needed infrastructure improvements and in return the developer pledged to construct improvements (a small shopping center to include a much needed grocery store and some commercial out lots) to be property valued at \$8.5 million by 2009. Later in 2007, the City dutifully constructed all of the necessary public infrastructure improvements. To date, no private improvements have been constructed by the developer as required by the redevelopment agreement due primarily to an inability to secure private financing for these improvements.

While the redevelopment agreement stipulates that the developer is responsible for "guaranteeing" the annual property tax payments or payments in-lieu-of-taxes (PILOT) should the private investment not materialize, this developer has indicated that it will not be able to make such guaranteed payments in the future (in 2010 this PILOT will likely exceed \$145,000).

Also within this same TIF District, the district's largest property owner, a large manufacturing firm, recently received a reduced State industrial property assessment that resulted in a \$91,000 back payment from the district. In addition, this reduced assessment will mean an approximate \$45,000 annual reduction in property tax revenues for the remaining life of the Whitewater TID #4 District.

The Whitewater TID #4 was created in 1992 and is scheduled to terminate in 2019. We are concerned that, because of the factors cited above along with decreasing commercial and industrial property values as well as the lack of any appreciable new development within the district, this district will not be self-supporting and will result in additional property taxes for the other property owners of the City. The ability to extend this district another possible 13 years, as this legislation would allow, will greatly assist in negating this possibility. Current market and credit conditions really make this particular TIF District distressed and deserving of consideration under the proposed legislation.

Thank you for your consideration of our request. If you have any questions about Whitewater's strong support for the passage SB-291, please do not hesitate to contact me.

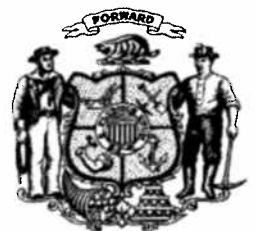
Sincerely,

Kevin M. Brunner
City Manager

Cc- State Senator Judy Robson
Common Council Members



WISCONSIN STATE LEGISLATURE





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Suite 300
Madison, Wisconsin 53703-2715

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800/991-5502
Fax: 608/267-0645

E-mail: league@lwm-info.org
www.lwm-info.org

To: Senate Committee on Economic Development
From: Curt Witynski, Assistant Director, League of Wisconsin Municipalities
Date: October 22, 2009
Re: **Support for SB 291/AB 426, Distressed TID Legislation**

The League of Wisconsin Municipalities strongly supports SB 291, establishing a process by which municipalities may designate TIF districts created before October 1, 2008, that are experiencing a cash shortfall due to reductions in value as distressed districts. The total life of such districts may be extended to up to 40 years. The Assembly passed the Assembly companion to SB 291, AB 426, by a vote of 81-14 on October 20.

The national economic downturn has negatively affected more than a few Tax Incremental Districts (TIDs) across the state, with the potential to affect many more. Reductions in the value of existing property within TIDs to reflect market conditions have decreased tax increment collections. Some projects within TIDs have also experienced foreclosures that have or are expected to result in development projects being entirely removed from the tax rolls, further exacerbating the situation. Finally, many economic development projects that were projected to positively contribute to TID increment generation have been delayed or withdrawn due to diminished demand combined with severely restricted credit availability for developers.

TIDs experiencing a decline in increment collection, or the failure of projected increment to materialize, may be unable to meet financial obligations that they have already incurred. In most cases, these financial obligations contain provisions that would require any debt service shortfalls to be assumed by the general taxpayer. This additional burden on taxpayers could be significant, and in the most extreme cases, could lead to a default on TID revenue obligations.

There is no precedent for a default of a Wisconsin municipal obligation and the impacts would be far ranging. In addition to the immediate concerns of investors not being repaid (many of these investors being individual Wisconsin residents and community banks), a default would increase the future cost of credit for all municipalities, may make credit entirely unavailable for some communities, could stifle future economic development, and would lead to protracted and costly litigation for the parties directly involved. In the case of very small municipalities with limited financial resources, the prospect of a default and the subsequent cost of litigation could also present the real possibility of a municipality seeking bankruptcy protection; another circumstance without precedent in the State.

The changes included in SB 291/AB 426 would provide the opportunity and time for municipalities and their creditors to seek market solutions through restructuring of debt obligations as a first remedy, reducing the potential for a default situation.

We urge you to recommend passage of SB 291/AB 426. Thanks for considering our comments.

STRONG COMMUNITIES MAKE WISCONSIN WORK





October 22, 2009

Wisconsin Senate Committee on Economic Development

RE: Support for Senate Bill 291

Dear Committee Members,

I would like to testify on behalf of Ehlers and the Wisconsin Economic Development Association of which I am a member.

Ehlers is an independent public financial advisory firm providing financial advisory services (including bond placement and Tax Increment Consulting) for nearly 300 local units of government in Wisconsin.

The national economic downturn has negatively affected a number of Tax Incremental Districts (TIDs) across the state, with the potential to affect many more. Reductions in the value of existing property within TIDs to reflect market conditions have decreased tax increment collections, and many communities are anticipating further reductions in the next valuation cycle. Some projects within TIDs have also experienced foreclosures that have or are expected to result in development projects being entirely removed from the tax rolls, further exacerbating the situation. Finally, many economic development projects that were projected to positively contribute to TID increment generation have been delayed or withdrawn due to diminished demand combined with severely restricted credit availability for developers.

TIDs experiencing a decline in increment collection, or the failure of projected increment to materialize, may be unable to meet financial obligations that they have already incurred. In most cases, these financial obligations contain provisions that would require any debt service shortfalls to be assumed by the general taxpayer. This additional burden on taxpayers could be significant, and in the most extreme cases, could lead to a default on TID revenue obligations (Community Development Authority Lease Revenue Bonds and similar revenue backed securities). A default of a Wisconsin municipal obligation and the resulting impacts would be far ranging. In addition to the immediate concerns of investors not being repaid (many of these investors being individual Wisconsin residents and community banks), a default would increase the future cost of credit for all municipalities, may make credit entirely unavailable for some communities, could stifle future economic development, and would lead to protracted and costly litigation for the parties directly involved. In the case of very small municipalities with limited financial resources, the prospect of a default and the subsequent cost of litigation could also present the real possibility of a municipality seeking bankruptcy protection; another circumstance without precedent in the State.



Wisconsin
Offices also in Illinois and Minnesota

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www.ehlers-inc.com

375 Bishops Way, Suite 225
Brookfield, WI 53005-6202

In some cases, the restructuring of existing debt obligations to match diminished increment collections is a possible solution. **To facilitate this, however, certain revisions will be needed to the TID law for the benefit of "distressed" TIDs.**

We believe SB-291 will address the problems identified above and includes these key provisions:

SB 291 FOR DISTRESSED TIDs

- Bill would create special statutory category of "distressed tax incremental districts " under Section 66.1105, Wis. Stats.
 - Limited to TIDs created by the local governing body before January 1, 2008.
 - TIDs must demonstrate a gap between TID revenues generated and the debt service on obligations issued to finance TID project costs.
 - Gap must be certified by Municipal Clerk.
 - A public hearing must be held and the modification would need to be approved by the Joint Review Board.
- Extend maximum life of such TIDs to 40 years to allow additional time to amortize TID obligations (but without any extension of the expenditure period).
- Expand revenue-sharing/pooling opportunities for such TIDs.
 - Authorize donor TID to have a life which matches the recipient TID (but in no case longer than 40 years).
 - Authorize distressed TIDs which are industrial or mixed-use TIDs to be recipients of sharing/pooling amendments.
- Prohibit project plan amendments which would add to project costs of such TIDs.

The foregoing changes would provide the opportunity for municipalities and their creditors to seek market solutions through restructuring of debt obligations as a first remedy, reducing the potential for a default situation. In light of the present extraordinary economic circumstances, we believe strongly that these revisions would be in the best interests of the State, local taxing jurisdictions, their taxpayers and bond holders.

This legislation fortunately will NOT be needed by a majority of Wisconsin Communities with TID's, however it will definitely inure to the benefit of ALL communities in that the prevention of default on public debt in Wisconsin will maintain the strength of the capital markets for ALL participants.

Please consider your support for this important legislation.

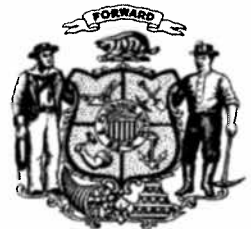
Very Truly Yours

A handwritten signature in black ink, appearing to read "Michael C. Harrigan". The signature is fluid and cursive, with a long horizontal stroke at the end.

Michael C. Harrigan, CIPFA
Chairman / Sr. Financial Advisor



WISCONSIN STATE LEGISLATURE





Wisconsin State Senate

**Senate Committee on Economic Development
Testimony of Senator Jim Sullivan, October 22, 2009**

Good morning, and thank you Chairperson Lassa for allowing me to speak on behalf of Senate Bill 291, authorizing the designation of a tax incremental district as distressed and expanding the use of donor tax incremental districts. I also want to thank Representative Louis Molopske, co-author of this legislation for taking the time to discuss this important legislation.

Current law allows municipalities to create Tax Incremental Districts (TIDs), which allow the use of tax dollars to be used for the development of blighted and other designated areas within the community. This law has been a great way for communities to redevelop areas that otherwise would remain undeveloped. Since its enactment in 1975, Tax Incremental Financing (TIF) law has been a successful way to incentivize communities to make improvements that benefit the local citizens.

Though TIF has traditionally brought successful redevelopment, the recent economic downturn has put stress on a number of Wisconsin communities that have outstanding TIDs. Now, there is concern that some communities may default on TID revenue obligations if there is not legislative intervention. There is no precedent for a community defaulting on a TID district, but the consequences could prove very costly to local taxpayers.

Senate Bill 291 creates a process for TIDs created before October 1, 2008 to be designated a distressed TID, extending the life of the TID to 40 years from the date the TID was created. It also allows increment sharing from other TIDs within the community. This will give additional time to communities to amortize TID obligations, and allow municipalities and their creditors opportunities to seek market solutions through restructuring of debt obligations.

While serving on the Wauwatosa Common Council prior to joining the Legislature, I understood the importance of providing communities the incentive to improve blighted areas. TIF districts provide communities redevelopment opportunities that otherwise may go undeveloped. Though the original TIF law was designed to help improve our communities, some communities have been caught off guard by the economic crisis and may have been extended too far. Senate bill 291 is one way the Legislature can help communities avoid a major financial crisis.

Earlier this week, the Assembly companion bill to Senate Bill 291, AB 426, passed the Assembly with overwhelming support by a vote of 81 to 14. The bill was passed with a few technical changes. I have introduced an identical amendment for Senate Bill 291.

Thank you for the opportunity to speak today on Senate Bill 291. I urge your support of this bill.







Wisconsin Economic Development Association Inc.

TO: Members, Senate Economic Development Committee

FROM: Amy L. Boyer, on behalf of
Wisconsin Economic Development Association

DATE: October 22, 2009

RE: Support for Senate Bill 291 – Distressed TID's

On behalf of the Wisconsin Economic Development Association (WEDA), a statewide organization of more than 450 economic development professionals, we strongly urge you to support Senate Bill 291 relating to distressed tax incremental financing districts.

While tax incremental financing is one of the most effective economic development tools available to municipalities, the current economic downturn has negatively impacted some tax incremental districts (TIDs) within the state due to reductions in property values within existing TIDs, which have led to decreased tax collections within those districts. TIDs experiencing difficulties or shortfalls in increment collection may be unable to meet financial obligations that they have already incurred.

Senate Bill 291 simply provides municipalities a tool in which they can declare a TID as “distressed” and allow for contributions from a donor TID for up to 40 years after the original distressed TID was created. Under this bill, after the under-performing TID is declared as “distressed,” that TID may not amend its project plan, incur any additional project costs or add territory. Also, a distressed TID must terminate whenever all of its project costs have been paid off.

This bill simply allows a municipality, after consideration by its Joint Review Board, to allow for a struggling TID to seek an alternative solution. Its narrow application allows a municipality to alleviate a potential burden to taxpayers by allowing a successful TID to help a struggling TID avoid default on TID revenue obligations.

We encourage you to support SB 291 and the vision of the bill's authors to continue to help Wisconsin maintain its status as a great place to create and retain jobs in Wisconsin.

Please feel free to contact me at boyer@hamilton-consulting.com or 608-258-9506.

Thank you.