

Fiscal Estimate Narratives

DOR 3/14/2014

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|--|-----------|---------------------|---------|---------------|----------|
| LRB Number | 13-4199/1 | Introduction Number | AB-0806 | Estimate Type | Original |
| Description Expanding the authority of towns to create tax incremental financing districts and authorizing certain towns to participate in multijurisdictional tax incremental financing districts | | | | | |

Assumptions Used in Arriving at Fiscal Estimate

CURRENT LAW

Tax Incremental Financing (TIF) Program:

The primary purpose of Wisconsin's TIF program is to provide a way for a city, village, and to a limited extent, a town, to promote tax base expansion through its own initiative and effort, in order for the municipality to finance certain public improvements needed to encourage economic development. When a TIF district (TID) is created, the aggregate equalized value of taxable and certain municipal owned property within a TID, or the "tax incremental base", is established by the Department of Revenue (DOR). Over the life of the TID, all of the taxes levied by local tax jurisdictions (municipality, county, school district, technical college, and special districts) on the growth in value of the property, or the "value increment," are turned over to the municipality as tax increment revenue. The municipality places this revenue stream in a special fund that may be used only to pay back the project costs of the TID. At the end of the maximum life period, or as soon as tax increments are collected in excess of total approved project costs, the TID must be terminated. At that point, the entire value of the property within the TID is returned to the tax rolls of the overlying taxing jurisdictions.

Cities and Villages:

Under the current TIF program, a city or village may create a TID in part of its territory to foster development if at least 50 percent of the area to be included in the TID is blighted, in need of rehabilitation or conservation, suitable for industrial sites, or suitable for mixed-use development.

In creating a TID, a city or village is required to take three primary steps: 1) preparation (project plan, map and boundary description, property valuation); 2) sending public notices and holding public hearings; and 3) resolutions and adoption of the resolutions by the Planning Commission, city council/village board, and/or the Joint Review Board (JRB) that consists of members who represent the overlying taxation districts.

The life of a TID between its creation and termination generally spans over a 20, 23, or 27 year-period. In general, a city or village may not make expenditures for project costs later than five years before the TID termination date. Under certain circumstances, the life of the TID, the expenditure period, and the allocation period may be extended.

As current law allows, many municipalities use boundary agreements to manage their growth in cooperation with neighboring municipalities. One way to do so is to create a multijurisdictional TID (MJTID). Under current law, the same rules and timelines for a TID apply to the creation of a MJTID. In addition to the rules, the MJTID must also adhere to the following: 1) two or more cities or villages must enter into an intergovernmental cooperation agreement; 2) the district's borders must contain territory in all of the cities or villages that are party to the agreement; 3) the district must be contiguous; and 4) at least one parcel in each participating city/village touches at least one parcel in at least one of the other cities.

Under current law, the intergovernmental cooperation agreement must specify a number of things, including: 1) the proposed membership of the JRB; 2) a binding procedure to resolve disputes; 3) a procedure to dissolve the MJTID before it would otherwise be required to terminate; 4) a description of the responsibilities of each municipality's clerk, treasurer, and assessor; 5) specification of a lead municipality for purposes of completing and submitting required documents; and 6) procedures that will be followed to amend the project plan or boundaries of the MJTID.

Towns:

Under current law, towns have only a limited ability to create a TID under certain circumstances. Town projects aimed at agricultural, forestry, manufacturing, or tourism improvements that would otherwise not have been initiated due to limited funds are eligible for the TIF program. A town may also use TIF for residential projects, but only to the extent that the residential project has a necessary and incidental relationship to a tourism, agricultural, manufacturing, or forestry project, and for retail projects to the extent that the retail development is related to the retail sale of a product that is produced due to an agricultural, forestry, or manufacturing project.

A town may also create a TID in limited circumstances under which the town enters into a cooperative plan with a city or village. This is allowed only when part or all of the town will be annexed or attached by the city or village. Towns may not participate in a MJTID under current law.

PROPOSED LAW

This bill authorizes certain towns to exercise all of the powers of a city or village to create a TID within the town. To create a TID under the bill, a town must have population of at least 5,000 and the equalized value of all taxable property within the town must be at least \$500 million in the year before the year in which the town proposes to create the TID. Under this bill, the type of towns that are authorized in this bill to exercise all of the powers of a city or village to create a TID with the town may participate in a MJTID.

Currently, there are 1,255 towns in Wisconsin. As the attached table shows, only 29 towns had an equalized value of at least \$500 million and a population of at least 5,000 in 2013. This group of towns represents approximately 5.7 percent of the state-wide aggregate equalized value, and approximately 4.3 percent of the total state population. Under the bill, those 29 towns would be authorized to exercise all of the powers of a city or village to create a TID within their own territories.

The five-year average annual population growth (2009-13) and the latest single-year average population growth (2012-13) among towns that have the aggregate equalized value of at least \$450 million but less than \$500 million is approximately -1.22 percent and 0.53 percent, respectively. The town of Lawrence has the population of approximately 4,500 with the average annual population growth (2009-13) of 9.88 percent, and it has the aggregate equalized value of approximately \$478.0 million. It is possible that this town may become eligible in future years under the bill. In the long run, under the assumption that the eligibility criteria remain the same, the number of eligible towns could possibly fluctuate over time, depending on the growth in population and property value.

The average (2009 – 2013) state total of TID current values and TID increment values as percentages of the total equalized value of all municipalities in which the TIDs were located were 9.48 percent and 5.51 percent, respectively. In the long term, the eligible towns that choose to utilize TIF could approach the state-wide average for TID current values and TID increment values, as the property values generated by TIF increase over time. After the TID dissolves, the value is returned to the tax rolls and the overlying taxing jurisdictions share in a much larger tax base. Assuming that all eligible towns choose to utilize TIF, and that their TIDs' overall maturity and utilization would reach the state-wide averages over time, those towns would generate increasing tax increments until plateauing near \$27.85 million in annual aggregate tax increments based on their 2012 property tax rates.

In Wisconsin, no MJTID has ever been created in the past. It is unknown as to whether the proposed bill would have any impact on the current situation and would lead to creation of a MJTID in the future years.

The bill may incur additional administrative costs to DOR, but the increase can be absorbed within its budgetary resources.

Long-Range Fiscal Implications

List of Towns (EV \$500 million or more and population 5,000 or more)

| | Municipality | Equalized Value | Population | Ave. Annual Pop. % Change (2009-13) |
|----|--------------|-----------------------------|--------------------|--|
| 1 | GRAND CHUTE | \$2,268,773,300 | 21,583 | 1.24% |
| 2 | MENASHA | \$1,394,275,300 | 18,582 | 1.71% |
| 3 | MERTON | \$1,389,594,500 | 8,368 | -0.32% |
| 4 | OCONOMOWOC | \$1,378,151,000 | 8,547 | 0.86% |
| 5 | DELAFIELD | \$1,362,607,500 | 8,199 | -0.30% |
| 6 | GREENVILLE | \$1,059,681,400 | 10,773 | 2.48% |
| 7 | LISBON | \$1,019,198,300 | 10,202 | 0.76% |
| 8 | MIDDLETON | \$1,010,281,400 | 6,021 | 1.64% |
| 9 | BROOKFIELD | \$992,266,200 | 6,095 | -1.20% |
| 10 | SALEM | \$958,976,300 | 12,036 | 1.39% |
| 11 | DELANAN | \$897,250,800 | 5,272 | 1.94% |
| 12 | WAUKESHA | \$887,517,600 | 9,131 | 0.53% |
| 13 | GENESEE | \$861,565,200 | 7,319 | -0.80% |
| 14 | MUKWONAGO | \$812,016,200 | 7,990 | 1.32% |
| 15 | HUDSON | \$800,544,600 | 8,499 | 1.81% |
| 16 | VERNON | \$798,058,100 | 7,612 | 0.49% |
| 17 | SOMERS | \$773,269,300 | 9,369 | -0.39% |
| 18 | CEDARBURG | \$773,226,400 | 5,798 | 0.00% |
| 19 | NORWAY | \$764,192,300 | 7,961 | -0.30% |
| 20 | LEDGEVIEW | \$710,390,900 | 7,074 | 6.68% |
| 21 | WATERFORD | \$708,435,700 | 6,343 | -0.89% |
| 22 | SHEBOYGAN | \$683,094,000 | 7,390 | 0.61% |
| 23 | RIB MOUNTAIN | \$681,500,900 | 6,854 | -2.60% |
| 24 | WASHINGTON | \$618,155,000 | 7,205 | -0.42% |
| 25 | BURLINGTON | \$608,486,500 | 6,448 | -0.25% |
| 26 | WINDSOR | \$570,888,000 | 6,549 | 2.76% |
| 27 | ALGOMA | \$564,086,300 | 6,917 | 1.86% |
| 28 | BUCHANAN | \$554,278,500 | 6,912 | 0.82% |
| 29 | LAFAYETTE | \$537,428,900 | 5,833 | -0.61% |
| | | \$26,438,190,400 (Total) | 246,882 (Total) | 0.72% (Average) |