



October 30, 2013

Dear Chair and Members of the Assembly Committee on State and Local Finance:

Thank you for the opportunity to testify today regarding Assembly Bill 289 and Senate Bill 252, relating to authorizing a city or village to require the Department of Revenue to redetermine the value of the tax incremental base of certain tax incremental districts. AB 289/SB 252 will be an important tool to jump start development projects negatively impacted by the struggling economy. Hundreds of communities across our state have an existing Tax Incremental Districts (TID) that lost value due to the recession and housing market crash. This negative impact on property values is so widespread in Wisconsin that seven out of the nine members of this Assembly committee has an existing TID that has lost value located in their community.

In the City of Oshkosh, we have TID #20, which includes property adjacent to downtown Oshkosh along the Fox River. For Oshkosh, this is a very important TID project directly across from Leach Amphitheater where the Pioneer Inn was located. Unfortunately, due to the recession and housing crash, this particular TID lost value after it was created which brought the assessed value below the base value. This particular TID has decreased by 18.84% from the original base value of \$20,815,400 to \$15,272,700. This lost value serves as an obstacle to paying off the investment made by a municipality and delays the benefit of the financial redevelopment investment to taxpayers. This is one example in my district, but there are hundreds across the state, including many that have seen a decrease of over 50%.

During my time serving in the Legislature, most bills involving TIDs have dealt with accounting and reporting fixes, or projects that have experienced unique challenges that require an extension of time. This bill presents an opportunity to recognize the financial realities of the past few years and allow municipalities throughout Wisconsin flexibility to reassess the base value and avoid seeking a patchwork of legislative remedies.

AB 289/SB 252 has been carefully crafted to assist communities that are struggling with TID value losses while ensuring that it does not encourage creation of risky TIDs. The reassessment option under 289/SB 252 is only available to TIDs that have fallen at least 10% below the base value for at least two years and is only available to a municipality two times during the TID existence.

TIDs remain the primary economic development tool for municipalities in Wisconsin. It makes sense to account for the negative impacts the recession and housing crash had on property values in TIDs severely impacted. Communities throughout Wisconsin stand to benefit as projects move forward and investment is realized.

This is a smart bipartisan bill that will help so many communities across our state. I ask you to join me in support of 289/SB 252 today.

Thank you for your consideration,

Gordon Hintz
State Representative-54th Assembly District



MICHAEL SCHRAA

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Testimony In Favor of Assembly Bill 289 & Senate Bill 252

Assembly Committee on State and Local Finance

Wednesday, October 30, 2013

Mr. Chairman and Committee Members:

TIF districts throughout Wisconsin are struggling. Many of them were created prior to the burst of the housing bubble that began in 2008, their property values have plummeted. Cities and villages are in a struggle to improve their communities, but the deck is stacked against them. The legislature has an opportunity to revitalize communities throughout the state with AB 289 and SB 252, and as the co-author of this bill, I urge the committee to support it.

AB 289 is a common-sense, bipartisan bill that allows a struggling TIF district's base property value to be re-evaluated down to its current, post-recession value. This will allow municipalities to borrow funds to improve the district, and allow prospective businesses to seriously consider the TIF district for relocation or expansion. Businesses overwhelmingly support TIF districts as the number one driver of local economic growth.

My number one priority is to help create jobs for my constituents and Wisconsinites everywhere. The recession touched just about every community in Wisconsin through layoffs, business closings, and property value drops. This bill will give communities a path forward to recovering from the recession.

A great example of a property that will benefit from this bill is the old Pioneer Inn property in Oshkosh. That property has sat dormant for over 7 years. This bill could very be the catalyst that would encourage the developers to reconsider making an investment in Oshkosh.

I urge you to support AB 289 and SB 252. Thank you for your consideration.

Sincerely,

Michael Schraa
53rd Assembly District



State Senator
Rick Gudex

District 18

October 30, 2013

To: Members of the Assembly Committee on State and Local Finance
From: Sen. Rick Gudex
Re: **Assembly Bill 289 and Senate Bill 252, redetermining the base value of tax incremental districts that are in decrement.**

Mr. Chairman, members of the committee, thank you for the chance to speak on behalf of this economic development bill today.

We all know how Tax Incremental Financing is supposed to work. A municipality creates a TID, then leverages infrastructure and other investments based on the increased revenues they expect to receive as property values within the TID grow.

Sometimes, however, due to the economy, or natural disaster, or other unforeseen problem, it doesn't work out that way. A TID will sometimes lose value after it is created, bringing the TID's assessed value below its base value.

This makes life harder for the TID and the municipality which created it. Because the value has dropped, there can be no "increment" producing revenue for the municipality. It will also take longer for a significant increment to be created. That means no revenue stream to help the municipality finance the project. Lenders may also be slower to invest in the municipal bonds because of the municipality's lack of a revenue source.

As of April of this year, one hundred TIDs around the state are in some level of decrement – their assessed values lower than their base values. Many of them are only slightly underwater, but others are have it worse. A few have lost over half of their original value.

This bill will alleviate this by allowing a municipality, with the approval of the Joint Review Board, to reduce the TID's base value to its current assessed value, if the TID falls into decrement.

In order to ensure that this doesn't become a license to approve risky TIDs, this bill requires that a TID fall to at least 10% below its base value for at least 2 years to be eligible. Also, a municipality will be able to use this only twice over the lifetime of a TID.

This will have minimal impact in the short term on other property tax-supported governments – School districts, counties, and technical school districts. In the long term, this will help everyone by making sick TIDs healthy again, and giving them a second chance to grow and eventually end, making more tax revenue available for all.

Since Wisconsin first adopted this economic development tool in 1976, it's been successful. According to the Department of Revenue, 670 TIDs have closed since then, with an average lifespan of only 13.6 years.

Currently, 1,154 TIDs exist in Wisconsin. Of those, 63 – 5.5% - are recognized as “distressed,” and a similar number – right around 60 TIDs – might be eligible to take advantage of this bill. That’s about 5.5% of all the TIDs in Wisconsin. Given the recent economic recession and particularly the real estate crash, those numbers seem very, very small.

So we can see that tax increment financing is working in the vast majority of cases. We can also see, though, that in the rare case that something goes wrong, local taxpayers need some mechanism to pull themselves out of the red, and back into the black. This bill will let them do that.

This is a bipartisan bill that is receiving support from all over the state. Thank you for your attention, and I urge your support.



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To: Assembly Committee on State and Local Finance
From: Curt Witynski, Assistant Director, League of Wisconsin Municipalities
Date: October 30, 2013
Re: Support for AB 289/SB 252, TIF District Base Value Redetermination

The League of Wisconsin Municipalities supports AB 289/SB 252, allowing municipalities to seek a redetermination of the base value of certain poorly performing tax incremental districts. Under the bill, a city or village may adopt a resolution, subject to joint review board approval, requiring DOR to redetermine the base value of a TID which for at least two consecutive years has had an equalized value at least 10 percent below the district's original base value.

In 2013, 62 of the over 800 active TIF districts in the state would qualify under the bill for the option of seeking a redetermination of their base value. Each of these 62 districts is in a decrement situation for different reasons. The overwhelming uniting factor, however, is the downturn in the economy that occurred between 2008 and 2012. Some districts were also caught by surprise a few years ago when DOR changed the method it uses for calculating the equalized value of TIDs. The new method resulted in much lower values in some districts. The equalized value of a few TIDs has gone down due to natural disasters, such as tornadoes or fires occurring in the district. This bill offers each of these decrement districts, regardless of how they came to be, a tool that could help them get above water and possibly close earlier. A municipality may pursue the redetermination of base value option only if the joint review board approves doing so.

The Senate unanimously passed SB 252, on October 8, 2013. We urge the committee to quickly recommend passage of SB 252. Thanks for considering our comments.

MEMORANDUM

TO: Honorable Members of the Assembly Committee on State and Local Finance

FROM: Kyle Christianson, Legislative Associate *KC*.

DATE: October 30, 2013

SUBJECT: Amend Assembly Bill 289

The Wisconsin Counties Association (WCA) seeks to amend Assembly Bill 289, which allows a city or village to redetermine the value of the tax incremental base of tax incremental districts (TID) in a decrement situation.

Under Assembly Bill 289 a municipality may require the Department of Revenue to redetermine the tax incremental base of a TID if the following conditions are met: 1) the municipality adopts a resolution, subject to joint review board approval; 2) the aggregate equalized value of all the taxable property within the TID has fallen at least ten percent below the current value of the TIDs base for two consecutive years or more; and 3) a redetermination of the base has not occurred more than once.

WCA recognizes the intent of Assembly Bill 289 is to prevent TIDs from failing and to assist in the recouping of investment costs. WCA also recognizes that Assembly Bill 289 could potentially result in distressed TIDs closing sooner than they otherwise would by redetermining the base value and accelerating the payback of investment costs. However, under current law, TIDs are allowed to share their tax increment with other TIDs after project costs are repaid—thus extending the life of the district.

WCA respectfully requests that the Committee amend Assembly Bill 289 to restrict TIDs that receive a base redetermination from becoming a donor district.

Please feel free to contact WCA if you need additional information.



TO: Members, Assembly Committee on State and Local Finance

FROM: Kristen Fish, Wisconsin Economic Development Association

DATE: October 30, 2013

RE: **Support for companion bills Assembly Bill 289 and Senate Bill 252 relating to authorizing a city or village to require the Department of Revenue to redetermine the value of the tax incremental base of certain tax incremental districts**

The Wisconsin Economic Development Association is a statewide association consisting of over 450 economic development practitioners. WEDA supports state policies that strengthen our economy and create jobs. WEDA supports Assembly Bill 289 and Senate Bill 252 which we believe will lead to more economic opportunities across the state.

Since 1975, Tax Incremental Financing (TIF) has been one of Wisconsin's primary and most successful economic development tools. Statewide, TIF projects have revitalized urban corridors and bolstered industrial growth among rural areas throughout Wisconsin. Over the years, various TIF related changes have been implemented to reconcile or address shifting marketplace conditions. To respond to challenges associated with the recession, as well as inherent problems of reduced valuation created by property demolition, remediation and project timing, WEDA is urging the Legislature to consider this adjustment to current TIF law.

When a Tax Incremental District (TID) is created, the Department of Revenue (DOR) calculates the "base value" of the district. This is the equalized value of all taxable property within the district at the time it was created.

However, the redevelopment of blighted property or property in need of rehabilitation or conservation will often create a situation where the net value of the remediated or razed property results in a negative value or "decrement" vs. the original base value of a Tax Increment District. This problem is further magnified in cases of a flood, fire, tornado, or downturn in the economy. Unfortunately, under the current TID law, the property's TIF base value does not reconcile these market factors; therefore, any new development or reinvestment associated with these properties must generate a substantially higher amount of TIF increment just to reach the established base value.

This bill allows DOR to redetermine the base value of a TID under certain conditions. If a city or village adopts a resolution, and the joint review board approves, DOR can redetermine the value of a TID if the TID has been in a decrement situation for at least two years. In the bill, a decrement situation would

exist when the current aggregate equalized value of all the taxable property within the TID is at least 10 percent less than the current DOR determined base value.

By allowing the base value to be reduced, the timeframe associated with a TIF district's ability to generate *new* taxable value would be accelerated. Given the anemic economy, allowing for base value adjustments can generate positive TIF increment more quickly, increase public-private development partnerships, and accelerate the stream of benefits for all of the impacted taxing jurisdictions (e.g. Local Unit of Government, County, Technical College and School District).

Thank you for your consideration of AB 289 and SB 252. The association looks forward to your support.

WISCONSIN TIDS W DECREMENT VS BASE

			2012 Current	2012 Value	Original Base	% Decline vs	Current Value
	Commnity	TID #	TID Value	Increment	Value	Original Base	as % of
							Original Base
51	Menasha	12	20,076,000	(1,639,600)	21,715,600	7.55%	92.45%
52	Menomonee Falls	10	39,640,500	(6,567,000)	46,207,500	14.21%	85.79%
53	Mequon	3	40,611,800	(471,300)	41,083,100	1.15%	98.85%
54	Merrill	8	13,616,300	(851,900)	14,468,200	5.89%	94.11%
55	Middleton	5	86,879,200	(2,786,300)	89,665,500	3.11%	96.89%
56	Milwaukee	58	4,421,300	(321,900)	4,743,200	6.79%	93.21%
57		65	2,665,300	(555,400)	3,220,700	17.24%	82.76%
58		66	27,742,800	(22,700,500)	50,443,300	45.00%	55.00%
59		71	64,801,800	(10,450,700)	75,252,500	13.89%	86.11%
60		72	25,919,000	(6,766,200)	32,685,200	20.70%	79.30%
61		74	57,707,700	(31,461,100)	89,168,800	35.28%	64.72%
62	New Hoistien	3	947,700	(2,011,600)	2,959,300	67.98%	32.02%
63	New Lisbon	12	842,100	(537,300)	1,379,400	38.95%	61.05%
64		13	165,400	(115,500)	280,900	41.12%	58.88%
65	North Fond du La	2	3,838,200	(336,900)	4,175,100	8.07%	91.93%
66	Oconto	3	12,190,600	(1,225,600)	13,416,200	9.14%	90.86%
67		4	1,231,900	(196,700)	1,428,600	13.77%	86.23%
68	Onalaska	4	16,090,900	(1,142,500)	17,233,400	6.63%	93.37%
69	Oshkosh	20	16,894,400	(3,921,000)	20,815,400	18.84%	81.16%
70	Osseo	3	2,170,200	(300,300)	2,470,500	12.16%	87.84%
71	Portage	6	14,468,200	(2,441,900)	16,910,100	14.44%	85.56%
72	Racine	10	787,300	(393,100)	1,180,400	33.30%	66.70%
73		11	2,529,200	(650,500)	3,179,700	20.46%	79.54%
74	Random Lake	2	12,682,500	(404,500)	13,087,000	3.09%	96.91%
75	Reedsburg	8	1,773,100	(219,700)	1,992,800	11.02%	88.98%
76	Rice Lake	4	37,193,400	(13,653,400)	50,846,800	26.85%	73.15%
77	Rosendale	1	3,660,600	(247,000)	3,907,600	6.32%	93.68%
78	Sharon	4	913,700	(153,400)	1,067,100	14.38%	85.62%
79	Shorewood	3	8,625,900	(4,186,900)	12,812,800	32.68%	67.32%
80		4	7,726,800	(539,000)	8,265,800	6.52%	93.48%
81	Shorewood Hills	4	7,726,800	(539,000)	8,265,800	6.52%	93.48%
82	Sister Bay	1	42,660,900	(4,824,800)	47,485,700	10.16%	89.84%
83	Somerset	3	798,800	(336,700)	1,135,500	29.65%	70.35%
84		4	134,000	(951,700)	1,085,700	87.66%	12.34%
85	Spring Valley	3	1,117,100	(351,900)	1,469,000	23.96%	76.04%
86	Stevens Point	6	43,875,700	(2,429,900)	46,305,600	5.25%	94.75%
87		8	19,192,900	(592,400)	19,785,300	2.99%	97.01%
88	Sturgeon Bay	3	540,500	(376,400)	916,900	41.05%	58.95%
89	Sun Prairie	9	8,783,000	(2,020,400)	10,803,400	18.70%	81.30%
90		10	34,199,600	(10,604,900)	44,804,500	23.67%	76.33%
91	Superior	11	1,984,000	(403,000)	2,387,000	16.88%	83.12%
92	Twin Lakes	1	51,727,400	(1,410,600)	53,138,000	2.65%	97.35%
93	Union Grove	4	30,406,000	(1,526,700)	31,932,700	4.78%	95.22%
94	Waukesha	16	40,043,600	(9,931,100)	49,974,700	19.87%	80.13%
95	Waupaca	9	1,960,100	(248,000)	2,208,100	11.23%	88.77%
96	West Allis	6	759,000	(571,600)	1,330,600	42.96%	57.04%
97		10	1,347,300	(2,116,300)	3,463,600	61.10%	38.90%
98		11	1,587,800	(3,090,200)	4,678,000	66.06%	33.94%
99		12	221,800	(11,100)	232,900	4.77%	95.23%
100		13	474,000	(63,400)	537,400	11.80%	88.20%
AVERAGES				(2,667,968)		18.36%	81.64%

WISCONSIN TIDS W DECREMENT VS BASE

			2012 Current	2012 Value	Original Base	% Decline vs	Current Value
	Commnity	TID #	TID Value	Increment	Value	Original Base	as % of Original Base
1	Algoma	1	7,232,800	(666,400)	7,899,200	8.44%	91.56%
2	Antigo	3	4,560,900	(605,100)	5,166,000	11.71%	88.29%
3	Balsam Lake	5	7,099,500	(635,600)	7,735,100	8.22%	91.78%
4	Baraboo	8	15,423,300	(2,093,300)	17,516,600	11.95%	88.05%
5		9	303,400	(40,700)	344,100	11.83%	88.17%
6	Barron	5	5,599,500	(96,700)	5,696,200	1.70%	98.30%
7	Belleville	4	1,933,400	(398,200)	2,331,600	17.08%	82.92%
8		5	6,359,900	(630,300)	6,990,200	9.02%	90.98%
9		5	343,300	(25,500)	368,800	6.91%	93.09%
10	Berlin	15	11,488,300	(1,003,200)	12,491,500	8.03%	91.97%
11	Biron	3	3,611,800	(285,400)	3,897,200	7.32%	92.68%
12	Black Earth	3	2,852,800	(236,500)	3,089,300	7.66%	92.34%
13		4	2,398,300	(524,200)	2,922,500	17.94%	82.06%
14	Boyceville	3	1,142,900	(377,600)	1,520,500	24.83%	75.17%
15	Brooklyn	1	4,323,900	(76,700)	4,400,600	1.74%	98.26%
16		1	776,000	(57,000)	833,000	6.84%	93.16%
17	Caledonia	1	12,651,600	(1,386,700)	14,038,300	9.88%	90.12%
18		3	27,939,500	(704,700)	28,644,200	2.46%	97.54%
19	Campbellsport	1	1,688,900	(74,400)	1,763,300	4.22%	95.78%
20	Cedarburg	2	1,283,400	(1,641,200)	2,924,600	56.12%	43.88%
21	DePere	7	12,153,800	(2,854,100)	15,007,900	19.02%	80.98%
22		8	32,495,000	(3,259,100)	35,754,100	9.12%	90.88%
23	Deerfield	4	2,009,900	(391,500)	2,401,400	16.30%	83.70%
24	Deforest	6	2,561,600	(3,155,300)	5,716,900	55.19%	44.81%
25		7	4,200,100	(291,900)	4,492,000	6.50%	93.50%
26	Ellsworth	9	406,900	(103,500)	510,400	20.28%	79.72%
27	Evansville	7	5,472,000	(629,700)	6,101,700	10.32%	89.68%
28	Fennimore	5	6,451,900	(507,000)	6,958,900	7.29%	92.71%
29	Fitchburg	8	4,002,700	(428,100)	4,430,800	9.66%	90.34%
30	Grafton	1	1,271,500	(91,500)	1,363,000	6.71%	93.29%
31	Green Bay	11	38,123,500	(3,434,700)	41,558,200	8.26%	91.74%
32		15	22,325,800	(5,510,500)	27,836,300	19.80%	80.20%
33		16	79,805,400	(15,435,200)	95,240,600	16.21%	83.79%
34	Greenfield	3	75,538,500	(192,500)	75,731,000	0.25%	99.75%
35	Gresham	1	981,400	(270,100)	1,251,500	21.58%	78.42%
36	Hartland	4	8,532,200	(4,996,900)	13,529,100	36.93%	63.07%
37	Howard	5	9,281,300	(591,100)	9,872,400	5.99%	94.01%
38	Janesville	28	1,973,200	(498,200)	2,471,400	20.16%	79.84%
39		30	19,904,600	(5,672,000)	25,576,600	22.18%	77.82%
40		31	16,955,000	(535,300)	17,490,300	3.06%	96.94%
41	Kaukauna	4	24,634,200	(1,459,900)	26,094,100	5.59%	94.41%
42		5	1,865,900	(2,309,000)	4,174,900	55.31%	44.69%
43	Kenosha	14	4,751,600	(650,600)	5,402,200	12.04%	87.96%
44	Lake Delton	4	24,433,800	(7,307,200)	31,741,000	23.02%	76.98%
45	Luck	2	4,410,900	(1,098,700)	5,509,600	19.94%	80.06%
46	Madison	38	47,425,500	(6,778,200)	54,203,700	12.51%	87.49%
47		40	141,704,200	(23,471,100)	165,175,300	14.21%	85.79%
48	Marshfield	6	2,378,400	(226,800)	2,605,200	8.71%	91.29%
49	Mayville	4	765,400	(1,844,100)	2,609,500	70.67%	29.33%
50	Mcfarland	4	7,491,500	(1,594,800)	9,086,300	17.55%	82.45%



**Testimony of Daniel Cunningham (Forward Janesville, Inc.) before the Wisconsin
Assembly Committee on State and Local Finance**
October 30, 2013

Good morning, Mr. Chairman and committee members. My name is Dan Cunningham, and I am the Vice President of Forward Janesville, a 500-member chamber of commerce and economic development association representing companies across south central Wisconsin. Thank you for giving me the opportunity to be here today. I am pleased to speak in support of Assembly Bill 289, a bill allowing the Department of Revenue to redetermine the base value of certain distressed TIF districts.

Tax Increment Financing (TIF) is an economic development tool that has been utilized successfully in hundreds of Wisconsin communities. Indeed, TIF is the most well-worn tool in many cities' economic development toolbox. Assembly Bill 289 would make this important tool even more valuable.

Allowing municipalities to strengthen struggling TIF districts would benefit dozens of communities across the state. By accelerating a TIF district's ability to generate positive revenue, municipalities would receive more incremental revenue that could be used for community development efforts. This could jumpstart development in districts that have struggled because of the recession and the resulting marketplace conditions.

Assembly Bill 289 would be useful to Janesville both now and in the future. Under the bill's criteria, one current Janesville TIF district (#28, the TIF district at the Five Points) would be eligible to have its base value reset.

TIF reform—and specifically, base value reduction—has been at the top of Forward Janesville's economic development agenda for years. We commend the bipartisan group of legislators who have brought this important issue forward. Thank you for your consideration and support of Assembly Bill 289.