



State Senator
Rick Gudex

District 18

April 28, 2015

To: Members of the Senate Economic Development and Commerce Committee
From: Sen. Rick Gudex
Re: Senate Bill 53 & Senate Bill 55

Senate Bill 53 allows a TID's project plan to be amended, or its maximum lifespan to be extended by an additional five years, or both, if at any time during the life of the TID, the annual and total amount of tax increments to be generated over the life of the district are adversely impacted by one or more of the following:

- An amendment to the provisions of tax incremental financing (TIF) law, found in s. 66.1105, Stats.
- A change made by DOR to the equalized valuation method.
- A change made by 2013 Wisconsin Act 145 (2013 Act 145) that increased state aid to technical college districts in order to reduce the total statewide levy of technical college districts.

Generally, a city or village, and a town or county under certain circumstances, may, amend the project plan of a TID that is created under s. 66.1105, Stats., subject to the review and approval of JRB. There is no limit to the number of project plan amendments that may be made if they are related to the projects included in the original plan. However, only four amendments modifying the TID's boundaries by either adding or subtracting parcels are allowed. Also, a TID that has been in a decrement situation for two years in a row may, after amending its project plan, adopt a resolution requiring DOR to redetermine the tax incremental base of the TID, but may do so only once during the life of the TID.

Also under current law, a TID must terminate when the political subdivision has received aggregate tax increments with respect to the TID in an amount equal to pay all of the TID's project costs, when the political subdivision dissolves the TID by resolution, or when the TID reaches its maximum lifespan, whichever is earlier. A political subdivision may, however, request that the JRB extend the life of the TID if the TID is unable to pay off its project costs within the maximum lifespan of the TID. The maximum lifespan of a TID, and the extension to this lifespan allowed under current law, are as follows:

- For any TID created before October 1, 1995: the maximum lifespan is 27 years and the political subdivision may not request an extension to this lifespan.

- For a TID that was created between October 1, 1995 and September 30, 2004, and is blighted or in need of rehabilitation or conservation: the maximum life is 27 years and the political subdivision may request a four-year extension.
- For a TID that was created between October 1, 1995 and September 30, 2004, and is an industrial district: the maximum life is 23 years and the political subdivision may not request an extension to this lifespan.
- For a TID that was created on or after October 1, 2004, and is blighted or in need of rehabilitation or conservation: the maximum lifespan is 27 years and the political subdivision may request a three-year extension.
- For a TID that was created on or after October 1, 2004, and is an industrial district or mixed-use district: the maximum lifespan is 20 years and the political subdivision may request a three-year extension.

Committee members discussed the change in the valuation method for assessing property within TIDs that DOR implemented in 2010, and how this negatively impacted many TIDs across the state. **Committee members also discussed the negative impact that 2013 Act 145 will have on TIDs, as the Act's increase to state aid to technical college districts, it also reduced the total statewide levy of these districts.**

The committee also raised concerns that changes in state law and policy may cause otherwise successful TIDs to struggle and either become a distressed or severely distressed TID or rely on donated tax increments to pay off project costs. Without approval of this legislation, it is very likely that many TID's will have to come back to the legislature for extensions.

Senate Bill 55 increases, from 12% to 15%, the allowable ratio of TID value increments to total equalized value of taxable property in a municipality. Generally, a municipality may not create a new TID if that ratio exceeds the statutory limit.

As part of the process of creating a TID, a city's or village's creation resolution must include a finding that the TID complies with the 12% limit. The 12% limit requires that the equalized value of the taxable property in the proposed TID, plus the value increments of all existing TIDs, does not exceed 12% of the total equalized value of taxable property in the city or village. When certifying a base value for a TID, DOR also evaluates whether the TID exceeds the 12% limit. DOR may not certify the base value until it reviews and approves the city's or village's finding that the equalized value of taxable property in the TID plus the value increment of all existing TIDs does not exceed 12% of the total equalized value of taxable property within the city.

A city or village may amend a TID's project plan so that a proposed new, or existing, TID is in compliance if the creation of a new, or project plan amendment of an existing, TID would exceed the 12% limit. If DOR determines that the TID exceeds the 12% limit, the city or village may either rescind its approval of the project plan or remove parcels of land so that the TID complies with the 12% limit. If the city or village decides to remove parcels of land, then it must resubmit the creation application to DOR within 30 days of receiving the noncompliance notice.

Section 66.1105, Stats., contains several exceptions to the 12% limit that apply to specific communities. Additionally, 2013 Wisconsin Act 193 allows a city or village to create a TID in recently annexed town territory if certain conditions are satisfied. Under the alternative creation method created by Act 193, the 12% limit does not apply to a TID created in former town territory until the year 2016.

Committee members discussed whether the 12% limit places unnecessarily burdensome limits on a city or village's ability to utilize TIF law.

Under Senate Bill 53, references in s. 66.1105, Stats., to the 12% limit are generally modified to reflect an increase to a 15% limit for the ratio of TID value increments to total equalized value of taxable property in a city or village. References to the 12% limit that relate to exceptions to the rule for specific communities are maintained at 12% and amended to reflect the law in place at the time of the creation of each exception.

Attached to the fiscal estimate is a report that shows TID's current utilization rate, 15% minus the current rate and the Additional Value allowed under the proposed bill.

The two bills before us today are products of the Legislative Council Study Committee and have bi-partisan support from legislators all across the state. They are designed to enhance and provide further transparency and accountability for the use of tax dollars when using Tax Increment Financing. The topic is a complex one and I invite you to please ask questions to gain more information on how the TIF Statutes work in our state.

Thank you and I ask for your support of these bi-partisan economic development bills.



April 27, 2015

Wisconsin State Senate
Committee on Economic Development and Commerce
State Capitol
Madison, Wisconsin

RE: Testimony **in Support of SB 53 and SB 55**, Legislative Council Study Bills relating to **Tax Incremental Financing**.

Dear Committee Members,

I am here today to testify in support of these bills as a part of the overall recommendations of the Legislative Council Study Committee on TIF.

I had the privilege of serving on the Legislative Council TIF Study Committee and fully support the work and all of the recommendations of the Committee.

Ehlers is a firm that exclusively serves local governments across the State of Wisconsin. Currently we represent over 300 municipalities in Wisconsin as their Financial Advisor. We have assisted in the creation and ongoing financial management of Tax Increment Districts in Wisconsin since the law was initially created in 1976. Our company also provides financial advisory and tax increment assistance in Minnesota, Illinois, Kansas and Colorado and as such we are well aware of how this law has been used and applied in these competing States as well.

It is our view that all of the recommendations of the TIF Study Committee will significantly improve the accountability and transparency of the program and will advance the original intent of the law---to promote economic development, jobs and tax base growth that would not have otherwise occurred without the use of Tax Incremental Financing.

Specifically the first Bill before you today (SB 53) will provide relief for communities who's tax increment districts are adversely impacted by legislation that could significantly reduce the cash flow to the district thereby increasing the potential for local taxpayer support or to declare the district "distressed". SB- 55 would increase from 12% to 15% the amount of total tax base that a community could have included in any combination of tax increment districts at the time that a new district is created. In many medium to small communities, the TID program has been very successful but because they have a relatively small tax base they are "TIFed Out" or excluded from participating until a district is closed. This would provide a chance for some of these communities to again participate in attracting development that would not otherwise occur without a Tax Increment District.

Thank you for your consideration.

Very Truly Yours

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

April 28, 2015

Wisconsin State Senate
Committee on Economic Development and Commerce
State Capitol
Madison, Wisconsin

Dear Committee Members,

My name is Brian Ruechel from Robert W. Baird & Company. I am a Director in Baird's Public Finance Division that works with all local units of government in all aspects of the Tax Incremental Financing ("TIF") law. Prior to joining Baird in April 2010, I completed a 31 year government finance career consisting of finance director positions for 20 years with the City of Green Bay and 11 years with the City of Manitowoc. In my finance positions I had extensive experience in TIF creation, administration, amendment, and termination of TIF districts.

I had the honor to be appointed and the privilege of serving on the Legislative TIF Study Committee and fully support the work and all recommendations of the Committee.

TIF is the main tool that local units of government have for economic development, jobs and tax base growth. The recommendations of the TIF Study Committee will significantly improve the program and the original intent of the law.

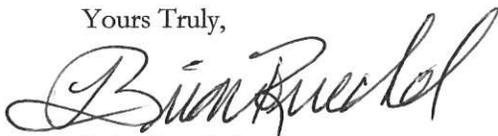
The two bills before you today are products of the TIF Study Committee and are designed to enhance and provide further transparency and accountability for the use of tax dollars when using TIF.

Senate Bill 53 relates to TIF project plan amendments and extending the life of a tax increment district ("TID") if the district is adversely impacted by statutory changes to the method of calculating equalized valuation. This bill allows the TID's project plan to be amended, or its maximum lifespan to be extended by an additional five years, or both if at any time during the life of the TID, the annual and total amount of tax increments to be generated over the life of the district are adversely affected by the following: an amendment to the provisions of TIF law, found in s. 66.1105, Stats.; a change by DOR to the equalized valuation method; a change made by 2013 Wisconsin Act 145 that increased state aid to technical college districts in order to reduce the total statewide levy of technical college districts.

Senate Bill 55 relates to the limits on TID creation as measured by total TID value. This bill allows an increase, from 12% to 15% in the allowable ratio of TID value increments to total equalized value of taxable property in a municipality. Generally a municipality may not create a new TID if that ratio exceeds the statutory limit.

Thank you and I ask for support of these bills.

Yours Truly,



Brian Ruechel
Director, Baird Public Finance



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To: Senate Committee on Economic Development and Commerce
From: Curt Witynski, Assistant Director, League of Wisconsin Municipalities
Date: April 28, 2015
Re: SB 53 and SB 55, TIF Study Committee Recommended Legislation

The League of Wisconsin Municipalities strongly supports SB 53 and SB 55 as recommended by the Study Committee on the Review of Tax Incremental Financing and unanimously approved for introduction by the Joint Legislative Council. These two bills, which are summarized below, are the result of months of review, discussion and vetting by the study committee. Each of these bills makes important improvements and clarifications to the only economic development tool available to cities and villages.

- **SB 53** allows a municipality to amend a TID project plan and/or extend the life of the district if the TID's tax increment is adversely impacted by any of the following:
 - An amendment to the provisions of TIF law.
 - A change made by DOR to the equalized valuation method.
 - The change made by 2013 Act 145 increasing state aid to technical college districts in order to reduce the total statewide levy of technical college districts.

- **SB 55** increases from 12% to 15% the amount of total equalized value that a community may include in any combination of tax increment districts at the time that a new TIF district is created. In many medium to small communities, the TID program has been very successful but because they have a relatively small tax base they are "TIFed Out" or excluded from participating until a district is closed. This change would provide a chance for some of these communities to again participate in attracting development that would not otherwise occur. Also, this change should cut down on the number of special legislation requests that are introduced each session to allow a specific community to exceed the 12 percent limit.

The League urges you to recommend passage of each of these bills. Thanks for considering our comments.



TO: Members, Senate Committee on Economic Development and Commerce

FROM: Brian Doudna, Wisconsin Economic Development Association

DATE: April 28, 2015

RE: **Support for SB 53 and SB 55 – Legislative Council study bills relating to tax incremental districts and financing**

The Wisconsin Economic Development Association is a statewide association consisting of over 400 economic development practitioners. WEDA supports state policies that strengthen our economy and create jobs. Since 1975, Tax Incremental Financing (TIF) has been one of Wisconsin's primary and most successful economic development tools. Statewide, TIF districts – also referred to as a Tax Incremental District (TID), 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 address the challenges in today's marketplace, legislative members and economic industry professionals – including members from WEDA, participated in the 2014 Legislative Council Study Committee on the Review of Tax Incremental Financing. The purpose of the committee was to “study and review the intent behind TIF laws and how the TIF laws are utilized by cities, villages, towns, and counties.” After months of discussion, the TIF Study Committee has recommended a package of TIF bills to strengthen and refine TIF functionality in Wisconsin.

While WEDA supports the entire bill package to maximize economic growth in Wisconsin communities, today where are here supporting Senate Bills 53 and 55.

Senate Bill 53 allows a local entity, after the review and approval of the Joint Review Board, to make project plan amendments as well as extend the life of a TID by five years. Under the bill, the amendments and/or time extension is allowed if the annual or total amount of the tax increments over the life of the TID are negatively impacted by one or more of the following: (1) amendments to TIF law (§66.1105); (2) changes made by DOR to calculate the equalized valuation method; and (3) 2013 Wisconsin Act 145, which reduced technical college levies and replaced the funding with state aid. These changes will enhance flexibility and increase success of TID projects.

Senate Bill 55 increases TID value increments to total equalized value of taxable property in a city or village from 12 percent to 15 percent. Under current law, for a TID to be created it must meet the 12 percent rule which requires the base value of the proposed TID plus the value increment of all other districts in the municipality cannot exceed 12 percent of the equalized value of taxable property in the municipality. The 12 percent rule is particularly a barrier for small communities and rapidly growing communities. Small communities can easily be “TIFed out” after creating one or two TIDS with a large project, exceeding the 12 percent limit. WEDA supports changing the 12 percent to 15 percent in order to reduce administrative back and forth for exemptions and enhancing the ability of cities and villages to spur economic growth.

Your consideration and support SB 53 and SB 55 are greatly appreciated. Thank you.



Tod Ohnstad

STATE REPRESENTATIVE

To: Senate Committee on Economic Development and Commerce
From: Representative Tod Ohnstad
Date: April 28, 2015
Re: Testimony in favor of Senate Bill 55, relating to limits on TID creation as measured by total TID value

Thank you Chairman Gudex and committee members for hearing testimony on Senate Bill 55 this morning. I am honored to be here today to support this important and necessary bill.

Throughout the last six months of 2014, I had the privilege of serving on the Legislative Council Study Committee on Review of Tax Incremental Financing. Chairman Gudex served as chair of our committee. I want to congratulate him for his work leading our group through a methodical review of a complicated issue. Both during the committee's work and now, I feel confident we developed very thoughtful, forward-thinking legislative proposals, the most important of which, in my view, is in front of you this morning.

As you know, Senate Bill 55 will allow communities to create TIF districts so long as the total TID value does not exceed 15% of the equalized value of the community. This would be an expansion from current state law, which limits TID creation at 12% total TID value. I am here because the city of Kenosha, and many others, would be directly, immediately, and positively affected by passage of Senate Bill 55.

Kenosha, like many communities around our state, was greatly impacted by the recession and economic downturn several years ago. Since that time, Kenosha has worked very hard to implement policies to get its economy rolling again. One tool utilized by our city has been tax incremental financing. Our city administration has been diligent in creating TIDs as a way to subsidize industrial projects.

The most recent TID created by the City of Kenosha was for Amazon. This TID was possible under the 12% limit. However, any such large TID would be impossible in the near future, as Kenosha has effectively reached the current statutory limit. Even though Kenosha is the fourth-largest community in the state, it is running up against the current limit because of the combination of the economic crisis of 2008 when we lost nearly a third of our equalized value and the success of Kenosha's Amazon TID. Passage of Senate Bill 55 would re-open the door for Kenosha to create TIDs should another such economically beneficial, fiscally responsible option present itself.

For these reasons, of all the different TIF bills eventually agreed upon by the TIF Study Committee last year, I think SB 55 is perhaps most important, not only for Kenosha but also for the other communities who find themselves in a similar position, due to the dramatic decrease in equalized value because of the downturn in the economy.

65th ASSEMBLY DISTRICT



Keith G. Bosman
Mayor

April 27, 2015

Representative Tod Ohnstad
Room 128 North
State Capitol
P.O. Box 8953
Madison WI 53708

RE: SB55

Dear Representative Ohnstad;

I am writing to you today in full support of SB55 which will raise the tax incremental district's maximum value to 15% of the community's assessed value from the current 12% limit. Unfortunately, I cannot be in Madison tomorrow for additional testimony, but I was able to attend and testify before the Study Committee on Review of Tax Incremental Financing on August 14, 2014. I believe the City was successful in explaining to Senator Gudex, chairman of the Committee, as well as the balance of the Committee members, how important tax incremental district (TID) financing is to the continued economic growth of southeastern Wisconsin.

I believe that the City of Kenosha has been prudent in its application of TID financing. Over the last 25 years, the City has invested approximately \$169.0 million and has created more than \$650.0 million in incremental value. Had it not been for the severe economic downturn of 2008 through 2012, the City's incremental value of its TID's would be \$740.0 million. Practically speaking, were it not for the economic downturn, we may not be here talking about the 12% rule at all.

Economic development is a competitive field; tax incremental financing is the City's primary tool to compete in that field. We have been successful over the years and especially as of late as the economy is improving. Please support this legislation to keep Wisconsin growing.

Sincerely,
CITY OF KENOSHA

Keith G. Bosman
Mayor