



Amy Loudenbeck

REPRESENTING WISCONSIN'S 31ST ASSEMBLY DISTRICT

**Testimony before Assembly Committee on Ways and Means
Assembly Bill 659
Rep. Amy Loudenbeck
November 30, 2017**

Thank you, Mr. Chairman and committee members for the opportunity to testify in favor of this bipartisan legislation, Assembly Bill 659.

As we all know, Tax Increment Financing (TIF) is a tool utilized by municipalities in Wisconsin to attract residential, commercial and industrial investments within their borders. The maximum life of a tax incremental district (TID) can range from 16 to 27 years, or in some instances even longer.

Under current law, when a TID is *closed or terminated* the taxing jurisdictions may make a one-time adjustment to their levy limit calculations for 50% of the increment within the closed TID. TID closures don't occur very often due to their long life span, but subtraction amendments are allowed under current law. However, if a municipality uses a *subtraction amendment* to remove property from a TID prior to termination, they are not able to receive a levy-limit adjustment.

In addition, once the value has been removed from the TID through the subtraction, it can no longer be included in the value of the TID, so the municipality is never able to make a levy limit adjustment for that increment increase. As you can surmise, our current law creates a significant disincentive for municipalities to use a subtraction amendment to remove territory from a TID prior to termination, because all of the taxing jurisdictions lose the levy increase that they would have realized at the TID's termination.

Assembly Bill 659 removes the current disincentive for municipalities to use a subtraction amendment to remove territory from a TID prior to termination by allowing the same levy limit adjustment to be made for TID territory subtractions as allowed under current law for TID terminations. If AB 659 is passed, it is expected that TID subtractions would be used more frequently, resulting in property taxpayer relief and additional revenue for local units of government in all of the underlying taxing jurisdictions. This would be a truly win-win outcome.

As we recently saw in the case of a TID that closed early in Verona, the benefits to taxpayers and taxing jurisdictions when a TID closes are significant. In May 2016, Verona's City Council passed a resolution to close TIF district 7, and cash out the district's surplus revenue and return the majority of the district, Epic's campus which is worth more than \$393 million, to the tax rolls. This action also dispersed the district's \$21 million in surplus cash to the city, school district, Dane County, and Madison Area Technical College in one-time lump sum payments.

Thank you for your kind attention and I would be happy to answer any questions at this time. Several experts on TIF and government finance are also planning to testify and will also be available to answer specific questions.



Testimony on *Assembly Bill 659* before the
ASSEMBLY COMMITTEE ON WAYS AND MEANS
November 30, 2017

Michael Harrigan, Chairman
Ehlers & Associates, Inc.

Good morning Chairman Macco and members of the Committee. Thank you for the opportunity to testify today in favor of Assembly Bill 659, the TIF subtraction bill.

My name is Mike Harrigan. I currently serve as Senior Municipal Advisor and Chairman of the Board at Ehlers, Inc. I am also a member of the Wisconsin Economic Development Association, or WEDA.

Ehlers is an independent public financial advisory firm regulated by the SEC serving only local municipal governments. In Wisconsin, we represent over 300 Local units of Government as their Financial Advisor in the public Bond Market and on matters involving their financial participation in Economic Development initiatives including Tax Incremental Financing.

WEDA is a statewide association representing roughly 450 public and private sector economic development professionals. We are dedicated to advancing economic prosperity in Wisconsin and providing our members with the necessary tools to encourage business expansion and promote private investment.

All economic development happens at the local level. As such, Local communities are often the engines that drive economic development in Wisconsin. They help create a climate that encourages business growth and economic activity. And the most consistently reliable tool municipalities have to promote private development, job creation, and tax base growth is Tax Increment Financing (TIF).

Tax Increment Financing is a unique funding tool used to spur economic development that would not otherwise occur. When a municipality creates a Tax Incremental District, or TID, taxpayers within the district pay the same property taxes as those outside the TID. But as the value of the property within the TID grows, the increased tax collections – known as the tax increment – is used to fund infrastructure improvements and eliminate blight to attract new development.

Today, there are roughly 1,200 active TIDs in Wisconsin. Since their creation, these TIDs have increased property values in the state by \$16 billion. Since 1976, nearly 792 TIDs in Wisconsin have been closed out, creating almost \$9 billion in new value to the tax base.

The lifespan of a TID can vary, but many remain open for more than 20 years. The average life of a TID is currently 14.4 years.

During the life of a TID, the local municipality may experience increases in costs to cover the services provided to the newly developed property within the TID, however they are not able to benefit from the tax base generated by that development to pay for these costs until the TID closes.

When a TID is terminated, the district returns to the tax rolls based on its full property value, resulting in a higher tax base for the former TID's local taxing jurisdictions. In addition, 50% of the increment of the former district may be added to the allowable levy of the municipality in which the TID was located thereby enabling the community to cover the cost of servicing that area utilizing the tax base from the area itself.

Current law also allows a municipality to subtract territory from a TID prior to the termination of the whole TID. Unfortunately, if a municipality subtracts territory from a TID, current law does not allow for a levy-limit adjustment – not at the time of the subtraction, nor at the time of the termination of the TID. Therefore, there is no incentive for a local unit of government to subtract territory from a TID, even if it's in the best interest of the district or local property taxpayers.

Assembly Bill 659 would fix this unintended “flaw” in state TIF law. The bill would permit municipalities that subtract territory from a TID to increase their levy limit by an amount equal to 50% of the subtracted territory's value increment. It's straightforward, common-sense legislation that would incentivize municipalities to use the TID territory subtraction process, which could result in additional local tax revenue, immediate property tax relief, and new economic development opportunities.

There numerous examples of municipalities across the state that could benefit immediately from AB 659. I would like to mention just a couple:

- City of Waupun, Tax Increment District # 6
- Village of East Troy, Tax Increment District # 3

In addition, I might also mention that we represent the Village of Mt. Pleasant for the recent creation of the Foxconn Tax Increment District. Ultimately if all of the value that is expected is generated, this is a district that could subtract territory from the TID and value that would not be needed to service the bonds issued thereby providing tax relief sooner without penalizing Mt. Pleasant on its levy limit treatment.

In closing, I would like to encourage your support for AB 659. Thank you for your time and consideration. I would be happy to answer any questions.

Michael C Harrigan, CIPMA
Chairman / Senior Municipal Advisor
Ehlers & Associates, Inc.
N21W23350 Ridgeview Pkwy W
Waukesha, WI 53188

262-796-6165 (Direct)



131 W. Wilson St., Suite 505
Madison, Wisconsin 53703
phone (608) 267-2380; (800) 991-5502
fax: (608) 267-0645
league@lwm-info.org; www.lwm-info.org

To: Assembly Committee on Ways and Means
From: Curt Witynski, J.D., Assistant Director, League of Wisconsin Municipalities
Date: November 30, 2017
Re: **AB 659, Levy Limit Adjustments when Subtracting Territory from TIF Districts**

The League of Wisconsin Municipalities strongly supports AB 659, allowing a municipality to make the same levy limit adjustment when subtracting territory from a TIF district as is currently allowed when a TIF district is closed. The League worked with Rep. Loudenbeck to have this bill drafted and introduced. We thank Rep. Loudenbeck and Sen. Petrowski for initiating this legislation.

Currently, it is uncommon for a community to subtract territory from a TIF district. There is no incentive to do so. This bill creates an incentive by allowing the same 50% of the growth in value levy limit adjustment when subtracting territory from a TID as currently applies when a TID is closed.

AB 659 will encourage communities to do TID territory subtractions and allow the county, the school district, and taxpayers to benefit from the increase in the tax base within parts of the district earlier than at the time of TID closure.

We urge you to recommend passage of AB 659. Thanks for considering our comments.

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