



Department of Administration
Intergovernmental Relations Division

Tom Barrett
Mayor

Sharon Robinson
Director of Administration

Jennifer Gonda
Director of Intergovernmental Relations

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Legislative Council Study Committee on Review of Tax Incremental Financing
Senator Rick Gudex, Chairperson
Representative Amy Loudenbeck, Vice Chairperson

Dear Senator Gudex and Representative Loudenbeck:

As the Legislative Council Study Committee continues to review the Tax Incremental Financing Law to gain insight into its intent, how municipalities utilize it and legislation that could improve its effectiveness, the City of Milwaukee has comments on proposed revisions as well as additional suggestions for modification to the state statute for your consideration.

While tax incremental financing (TIF) is a helpful tool to promote economic development and area redevelopment projects, cities, villages and towns use TIF in a variety of ways. Like other municipalities, the City of Milwaukee tries to use TIF to its greatest advantage. The City of Milwaukee has the benefit of expert staff dedicated to structuring TIF projects in order to leverage the greatest public benefit.

City of Milwaukee staff members who deal regularly with the City's TIF projects have been attending the meetings of the Study Committee and have met with Committee members, including Representative Josh Zepnick, Richard Lincoln of Mandel Group and Mike Harrigan of Ehlers, Inc. We have used the submitted recommendations of Mr. Harrigan, dated August 11, 2014, as a roadmap for these meetings. The meetings resulted in City of Milwaukee staff formulating a list of suggestions for the Study Committee based on Mr. Harrigan's recommendations as well as our own additional suggestions.

With regard to Mr. Harrigan's recommendations, we have the following comments or suggestions:

- Regarding the first bullet point about elimination or modification of the vacant land test:
 - While it is not uncommon to find land in blighted areas that is worth more than the severely blighted structures on the land, the statute provides that if the replacement cost of the structure exceeds the value of the land, the site is not vacant. We have used this to avoid exceeding the 25% vacant land limit and, given the other exceptions, our staff believes it is not necessary to modify the test.
 - With respect to privately owned parking lots in urban areas, we recommend this be added as another exception to the definition of "vacant property" in Section 66.1105(4)(gm)1 as long as the balance of the district meets the blight or rehabilitation tests and the parking lot has operated as such for not less than a determined number of years.
- With regard to the final bullet point about mixed use TIDs, current law requires that any lands within a mixed use TID that are "zoned and suitable for industrial development" at the time the TID is created must be so zoned for the life of the TID. **We do not recommend changing this**

provision. Based on the recollection of a member of our staff who served on the 2004 TIF Study Committee, the intent of the Legislature in 2004 was to prohibit creating industrial TIDs on farm fields, thereby avoiding the need to meet the vacant land test and subsequently rezoning the entire property for commercial development. The Legislature in 2004 was wary of the mixed use TID becoming a vehicle for creating TIDs in greenfield areas and was willing to permit their creation only if that portion dedicated to industrial use remained an industrial use. This is the same requirement for industrial TIDs, in general.

- We are generally in agreement with Mr. Harrigan's other recommendations. With regard to changing the date for submission of the Annual Report, if such a change is made, Milwaukee prefers July 31. With regard to some of Mr. Harrigan's general comments about DOR providing differing guidance on some provisions of the TIF law, we agree that clarification of DOR's duties would be helpful in limiting individual interpretation.

In addition to the above comments on the recommendations of Mr. Harrigan, the City of Milwaukee also proposes the following TIF law revisions:

- Eliminate Section 66.1105(4)(k). Under current law, the local assessor includes the value of tax-exempt city-owned sites in a TIF district for calculating the base value. This artificially increases the base value since these properties continue to be carried on the tax roll at zero value. In all future years during the life of the TID, this adjustment for tax-exempt city-owned sites is not made. Consequently, if all things remain the same, the TID immediately experiences a negative incremental value – or decrement. This directly penalizes cities from including sites it owns and which it hopes to redevelop into a TID and is contrary to the goals of the TID legislation.
- Clarify the statute to authorize the use of Redevelopment Authority revenue bonds, in addition to municipal revenue bonds, to fund TIDs.
- Create 66.1105(4)(i)(6) to require submission of “the estimated rate of return on equity to the owners or developers receiving cash grants or loans for projects.” to the Joint Review Board.

Enclosed, for your review, is a copy of the City of Milwaukee's annual TIF report. I look forward to meeting with you to discuss Milwaukee's usage of TIF as Wisconsin's largest municipality and creator of 79 TIF districts. If deemed helpful, we offer the assistance of our staff to provide testimony regarding this information to the entire Study Committee at any of its upcoming meetings.

Sincerely,


Kimberly Montgomery
Senior Fiscal Legislative Manager

cc: Representative Josh Zepnick
Michael Harrigan, Ehlers
Richard Lincoln, Mandel Group
Scott Grosz, Legislative Council