PLAN COMMISSION
of the City of Platteville

CITY OF PLATTEVILLE

AGENDA

MONDAY, JUNE 5, 2023 – 7:00 P.M.
COUNCIL CHAMBERS IN CITY HALL – 75 N. BONSON STREET

1. ROLL CALL

2. TAX INCREMENT FINANCE DISTRICT CREATION

   Discuss the potential of creating one or more Tax Increment Finance overlay districts in the vicinity of TID 5 and TID 6.

3. ADJOURN

If you have concerns or comments related to an item on this agenda, but are unable to attend the meeting, please send the comments to carrollj@platteville.org or call 608-348-9741 x 2235.

STAFF REPORT
Community Planning & Development Department

CITY OF
PLATTEVILLE

Meeting Date: June 5, 2023

Re: Potential Tax Increment Finance District Creation

Applicant: Staff submitted

At the Platteville Area Industrial Development Corporation (PAIDC) meeting on May 10th, 2023, Corporation President Dan Dreessens, identified that the City currently has capacity under the state imposed 12% equalized value limit for Tax Incremental Finance Districts. Based on the 2022 (annual) Department of Revenue Tax Incremental Financing (TIF) Value Limitation Report, the City of Platteville currently has $94,717,800 in TID of a Total Municipal Equalized Value of $852,503,800 which equates to 11.11%.

This means that the City has the potential to create (one, or multiple) additional Tax Incremental Districts (TIDs) in efforts to promote economic growth through various development incentives. This is of value to the City because our existing Mixed-Use TIDs are past their expenditure periods and the City currently cannot offer potential developers any new incentives through TID increment in these TIDs. A new district (or overlay district, or multiple districts in combination) could allow for development incentives and spur new commercial, industrial or housing growth that otherwise may not happen.

One of the major constraints in pursuing this project is the timeline. We are anticipating the Department of Revenue to release an updated 2023 (annual) report on (or about) August 15th , 2023. It is unknown whether our total TID value ratio will increase (putting us over the maximum allowable limit) or decrease (possibly allowing even more parcels to be added to new TID creation). This initiative is following a conservative approach and we are looking to act on the current report under concern the next year's report could close the opportunity. It is anticipated that setting up a TID will take a minimum of 60 days with all necessary planning and public meetings.

Tentative schedule for the creation of the proposed TID Overlay District(s):

1. Plan Commission Meeting #1: June 5th - discuss potential of creating one or more TID overlay districts
2. Plan Commission Meeting #2: July 10th - public hearing
3. JRB Meeting #1: June 28th or 29th – organizational meeting
4. Council Meeting #1: July 11th – information/discussion
5. Council Meeting #2: action on creation resolution(s)): July 25th – action on creation resolution(s)
6. JRB Meeting #2: within 45 days of creation resolution – final action

What is TIF?

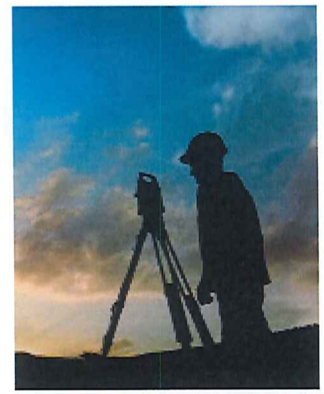
Tax incremental financing (TIF) is a method of financing that generates tax revenue to be used toward funding infrastructure and development. TIF is the most effective tool Wisconsin cities and villages have to spur economic development and job creation. Municipalities have been using TIF successfully since 1975. The TIF process allows a municipality to pay for public improvements and other eligible costs within a designated area, called a tax incremental district (TID), using the future taxes collected on the TID's increased property value to repay the cost of the improvements. The rationale behind TIF is that public investment will promote private development, jobs and tax base growth that would not otherwise occur absent the TID.

Wisconsin TIF Success

- As of August 2015, there were 1,128 active TIDs in Wisconsin. Since inception, these TIDs have generated a combined increment, which is growth in property value, of over $16 billion or $14.4 million per TID, with the average TID age being 11.93 years.
- The average TID active in 2015 added $1.2 million to the tax base per year since its creation. This figure represents a tax base generated within TIDs and does not account for increases in value in neighboring areas occurring because of the TID growth.
- Growth occurs at a faster rate in TIDs. From August 2014 to August 2015, the total equalized value of all active TIDs increased by 6.42 percent. In comparison, state equalized value as a whole increased in value by only 2.42 percent.
- The majority of TIDs have sufficient increment to pay off their project costs. Of the 1,128 TIDs in 2015, only 5.5 percent were distressed and less than 1 percent were severely distressed. Only 5.4 percent of TIDs in 2015 were decrement TIDs, which are valued at less than 90 percent of the TID's base value in 2014 and in 2015.
- In 2015, 30 TIDs were terminated after generating $445 million in incremental value during their lifetimes. The numbers for 2014 are very similar: the 31 TIDs terminated that year created a combined $485 million in increment.
- Since 2000, 447 TIDs have been terminated in Wisconsin, adding nearly $9 billion of new value to the tax base.

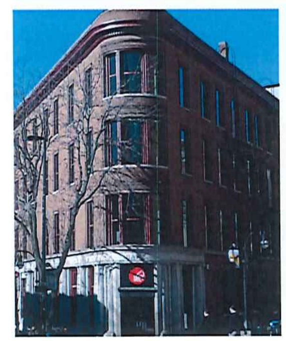
WISCONSIN REALTORS' ASSOCIATION






Tax Incremental Financing

A Powerful Economic Development Tool

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TIF: Fact vs. Fiction

Fiction: TIF harms school and county tax revenues.

Fact: School districts are not adversely impacted by TIDs since districts are often compensated for the loss in local tax revenues through increases in state aids. When an area is designated as a TID, the property value within that area is determined and becomes the TID's base value. Schools and counties continue to receive their standard share of tax revenues on this base value. TIDs receive no tax revenues from this base value. The only tax money that goes toward the TID comes from taxing the growth generated by TIF-funded projects. When a TID's project costs are paid off, this new tax base is opened up to the schools and county, which are then able to benefit from increased tax revenues that would not exist without TID funding.

Fiction: TIF is a tax break for businesses.

Fact: Property owners within a TID pay the same tax rate as everyone else; the only difference is that some of their taxes go toward paying TID project costs.

Fiction: TIF is corporate welfare.

Fact: TIF is used to fund public infrastructure and other project costs necessary to incentivize private investment that otherwise would not occur. Current taxpayers are not bearing any new burden. Rather, new tax base that would not have existed but for the TIF investment is created and, ultimately, will offset the tax burden of other taxpayers.

Fiction: Municipalities try to keep TIDs open as long as possible.

Fact: Municipalities are motivated to close TIDs as soon as the TID project costs are paid off. Municipalities are unable to use tax revenues from the TIF value increment on anything other than TID project costs until after the TID is closed. TIDs can be open for a maximum of 27 years or longer in certain limited circumstances, but the average TID life of all TIDs terminated from 2000 onwards is only 16.3 years.

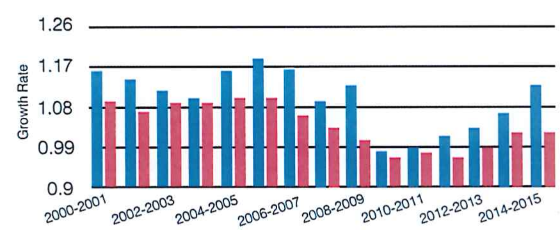
Some Examples of TID Project Costs Compared to Value Created

Municipality	Costs	Value Increment	Increment-cost Ratio
Eau Claire	$28,277,626	$89,795,700	3.18
Franklin	$36,352,913	$116,460,900	3.20
Wausau	$91,394,342	$197,776,500	2.16
Wauwatosa	$81,501,033	$335,937,900	4.12
River Falls	$17,742,183	$44,225,200	2.49
Waukesha	$71,055,179	$216,077,400	3.04

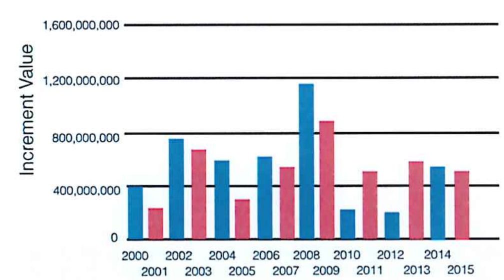
Terminated TIDs since 2000

Municipality	Costs	Value Increment	Increment-cost Ratio
Germantown	$32,240,816	$84,378,850	2.62
Baraboo	$9,846,716	$44,688,000	4.54
Fond du Lac	$42,423,159	$106,468,300	2.51
Janesville	$31,771,648	$103,810,900	3.27
Sun Praire	$13,773,662	$50,841,600	3.69
Madison	$143,040,311	$891,306,550	6.23
Whitewater	$8,288,236	$29,520,736	3.56

TID Growth Rate and All Equalized Value Growth



Increment Added to Tax Base by Year



I. General Background

A. Tax Incremental Financing (TIF) Definition

1. TIF basic function

TIF is a financing option that allows a municipality (town, village or city) to fund infrastructure and other improvements, through property tax revenue on newly developed property. A municipality identifies an area, the Tax Incremental District (TID), as appropriate for a certain type of development. The municipality identifies projects to encourage and facilitate the desired development. Then as property values rise, the municipality uses the property tax paid on that development to pay for the projects. After the project costs are paid, the municipality closes the TID. The municipality, schools, county, and technical college are able to levy taxes on the value of the new development.

TIF use varies depending on the project and the municipality. In some cases, the municipality chooses an area it would like to develop or that is unlikely to develop without assistance. Then the municipality designs improvements (ex: roads, sidewalks, sewer systems) to attract growth. In other cases, a developer or company identifies a site where they might locate. A developer may also negotiate with the municipality to use TIF to fund some improvements (ex: demolition, soil clean up, roads, water) the developer needs. Either way, an area facing development challenges receives help to grow. This creates a larger tax base for the municipality and the overlying taxing jurisdictions (ex: schools, county, technical colleges). Generally, when the tax base grows and spending is stable, tax rates go down, decreasing property taxes for everyone.

Important
One key basis for the use of TIF is the "but for" requirement. As part of all creation resolutions, a municipality must affirm that the development would not happen "but for" the use of TIF. The municipality must believe that without TIF the development would never happen. This requirement is important to ensure TIF assists development projects needing help, but that it is not a gift of tax dollars to private developers or property owners. Review Considerations for the Municipality for more information.

2. TIF law background

Wisconsin adopted TIF legislation in 1975 to eliminate blighted areas in urban neighborhoods. Interest rates were high, making government borrowing expensive and municipal investment in infrastructure and redevelopment unattractive. In addition, the cost was high for redeveloping blighted areas compared to developing open areas. This was due to demolition, alteration, remodeling or repairing existing buildings, removing environmental contamination from soil or groundwater, or other site work. Before TIF law was enacted, if a municipality wanted to expand its local tax base, the municipality alone would pay the cost but the overlying taxing jurisdictions would also benefit from the growth. The legislature saw this situation as unfair and viewed TIF as a way to remedy the problem and encourage cooperation between local government.

Since TIF law was first adopted, changes have been made to expand the ways municipalities can use TIF and increase the involvement of the overlying taxing jurisdictions and local residents.

The chart below shows the law reference and creation year. Review Summary of TIF Law Changes for recent changes.

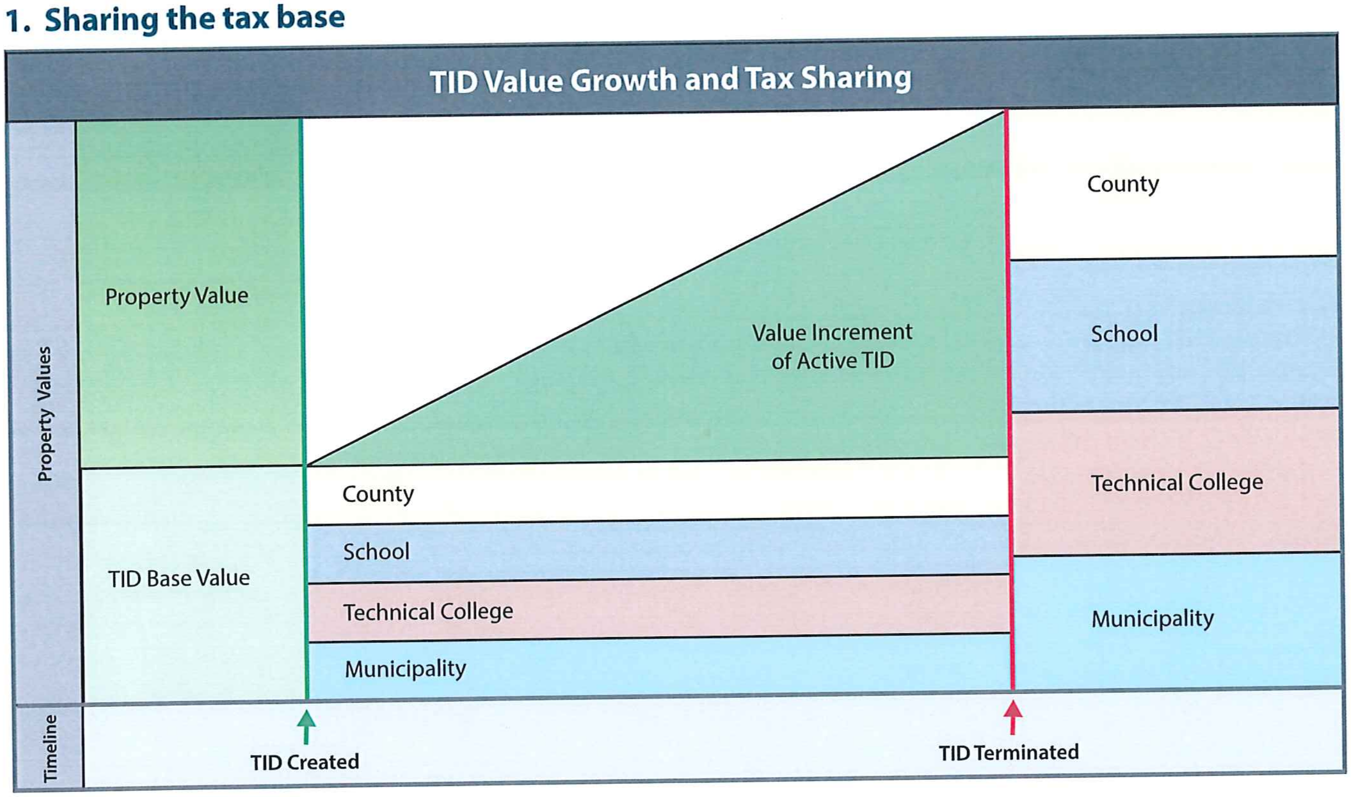
Eligible Municipality	WI Statute	Year Statute Created	TID Type
City or Village	66.1105	1975	Blight, Rehabilitation or Conservation, Industrial
City or Village	66.1105	2004	Mixed-use
City or Village	66.1105	2017	Environmental Remediation
Town	66.1105	2005	Any of the above as part of an annexation/cooperation agreement
City, Village or County	66.1106	1997 (ended 2017)	Environmental Remediation (now in 66.1105)
Town	60.85	2004	Agricultural, Forestry, Manufacturing, or Tourism
Town	60.23	2014	Same as created under 66.1105

Review Summary Statistics for more details on the trends in numbers and types of TIDs.

B. How TIF Works

When a municipality creates a TID, the municipality and other taxing jurisdictions agree to support their operation from the existing tax base within the TID. They agree the municipality will use the taxes on the value increase in the TID to pay for the investment.

1. Sharing the tax base



a. TID creation

When the municipality creates a TID, it establishes the base value of all the taxable property within the defined boundaries. The county, school, technical college and municipality in the chart above, make up the overlying taxing jurisdictions for the property in the base value. The overlying taxing jurisdictions share the tax revenue collected on this portion of the property value. After the TID is created, this tax revenue is allocated the same way as before the TID was created. In the chart, the county, school, technical college and municipality collect taxes on the property in the TID base. In areas with special taxing districts (ex: sanitary district or lake rehabilitation district), this district would appear in a row below the municipality.

Any new construction or investment in the TID property increases the value. The municipality collects the taxes on the growth in value of the property (the Value increment) as Tax increment revenue. The municipality can only use this revenue to pay for the improvements it made to the property in the TID according to the approved project plan.

b. TID termination

The municipality must terminate the TID at the end of the maximum life, or when the tax increments collected exceed the approved project costs. At termination, the entire TID's property value is available for the overlying taxing jurisdictions to tax. In the TID Value Growth and Tax Sharing chart on the previous page, the column on the right represents the increased property value subject to taxes. While the TID exists, tax revenue for each overlying jurisdiction is limited to the base value of the TID property. After terminating the TID, all the overlying taxing jurisdictions share the tax base; tax rates can be lowered to generate the same amount of revenue for the jurisdiction. Without the development encouraged by TIF, the base value would be the only value available for the jurisdictions to tax. Partnering to facilitate development helps all the overlying taxing jurisdictions increase their tax base. If the TID property value does not increase as expected, the municipality may not receive enough tax increment to pay its expenditures. In this case, when the TID terminates, the municipality is responsible for the unpaid debts.

Important

At termination, if the tax increment revenue exceeds the project costs, the municipality must return the surplus revenue to the overlying taxing jurisdictions in proportion to overlying taxing jurisdictions' respective tax levy without TIF.

2. Tax increment calculation

The Tax Increment Worksheet (Form PC-202) calculates the amount of taxes for the TIF fund. The worksheet uses the apportionment of each overlying taxing jurisdiction to determine the share of each district's tax revenues that will be part of the municipality's tax increment.

Example

This example shows how the county levy is apportioned and how the tax increment is calculated. The same process is used to determine the tax increment added to each of the other taxing jurisdictions' levies, including the levy for the municipality that created the TID.

Assumptions

a) Entire county consists of four municipalities. Only Municipality "A" has a TID.

b) Equalized property value in the four municipalities, including the TID increment are:

Municipal Values								Total
A	$400,000,000*	B	70,000,000	C	20,000,000	D	10,000,000	$500,000,000
** Includes $30,000,000 value increment*								

c) Municipality "A" has a TID 1 with values of:

- Base value $20,000,000
- Current value 50,000,000
- Value increment 30,000,000

d) The county needs $1,500,000 from property taxes for its budget

Note: Values of the taxing entity and any municipality with one or more TIDs, are reduced by the value increment in all the TIDs. This is referred to as TID/OUT in the upcoming charts.

Step 1	Formula to determine each municipality's percent of the county's value: Municipality Value ÷ County Value = % of County's Value				
Municipality	TID/Out Municipality Value	÷	TID/Out County Value	=	Percentage County Value
A	$ 370,000,000	÷	$ 470,000,000	=	.787234
B	70,000,000	÷	470,000,000	=	.148936
C	20,000,000	÷	470,000,000	=	.042553
D	10,000,000	÷	470,000,000	=	.021277
Totals	**$ 470,000,000**		**n/a**		**1.000000**

Step 2	Formula to determine the county tax apportioned to each municipality: Percentage County Value × County Levy = Apportioned Tax				
Municipality	Percentage County Value	×	County Levy	=	Apportioned Taxes
A	.787234	×	$ 1,500,000	=	$ 1,180,850
B	.148936	×	1,500,000	=	223,405
C	.042553	×	1,500,000	=	63,830
D	.021277	×	1,500,000	=	31,915
Totals	**1.000000**		**n/a**		**$ 1,500,000**

Step 3	Formula to determine the county tax rate each municipality will collect, including the tax increment: County Apportioned Tax ÷ (Municipality Equalized Value - Increment) = County Tax Rate per Municipality				
Municipality	Apportioned Municipality Taxes	÷	Municipality TID/Out Equalized Value	=	County Tax Rate for Each Municipality
A	$ 1,180,850	÷	$ 370,000,000	=	.0031915
B	223,405	÷	70,000,000	=	.0031915
C	63,830	÷	20,000,000	=	.0031915
D	31,915	÷	10,000,000	=	.0031915
Totals	**$ 1,500,000**	÷	**$ 470,000,000**		**n/a**

Step 4	Formula to determine the county tax rate for each municipality (referred to TID/IN below) County Tax Rate × Total Equalized Value of all Municipal property = County Tax Collected (includes the tax increment for TID #1 in Municipality "A")				
Municipality	Tax Rate	×	Total Equalized Value Municipality TID/IN	=	County Taxes Collected
A	.0031915	×	$ 400,000,000	=	$ 1,276,600
B	.0031915	×	70,000,000	=	223,405
C	.0031915	×	20,000,000	=	63,830
D	.0031915	×	10,000,000	=	31,915
Totals	n/a		**$ 500,000,000**		**$ 1,595,750**

Total County Taxes Collected from Municipality "A"	$ 1,276,600
Total County Apportioned Taxes for Municipality "A"	$ 1,180,850
Tax Increment Received by Municipality "A"	**$ 95,750**

Step 1-4 Explanation

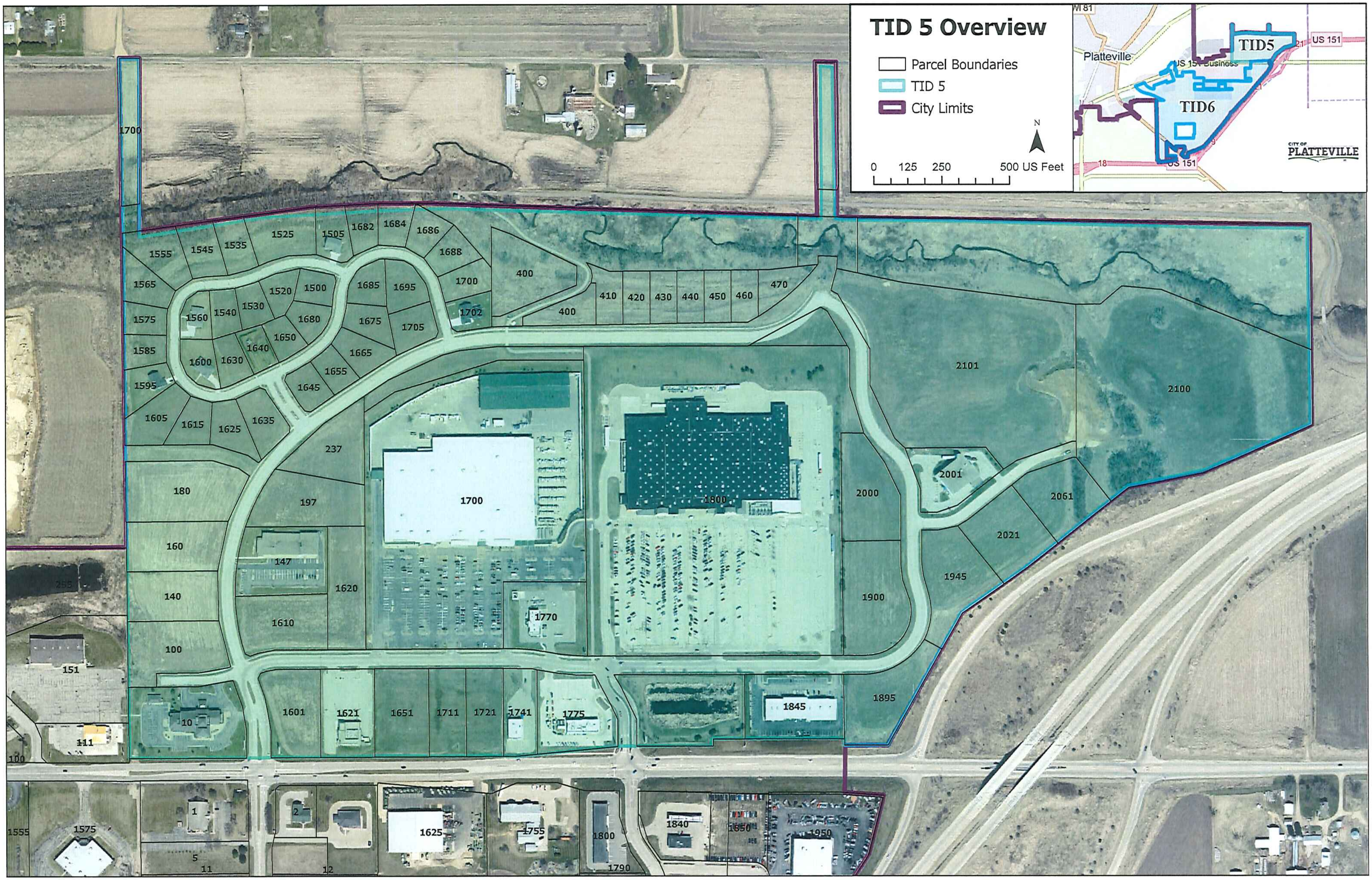
- County tax collected is apportioned to individual property owners in each municipality based on the assessed value of each parcel
- Amount of the tax apportioned by the county is $1,500,000. Step 2 shows the amounts apportioned to each municipality.
- Tax increment of $95,750 is the difference between the amount Municipality "A" collected by the county ($1,276,600 shown in Step 4) and the amount apportioned for Municipality "A" ($1,118,850 shown in Step 2)
- $95,750 is the county portion of tax increment Municipality "A" receives and must deposit into the TID 1 fund for the TID's project costs

Step 5	Effect on the county tax rate if the TID in Municipality "A" terminates and the county's levy and each municipality's values remain the same	
County Levy	County Equalized Value	Tax Rate
$ 1,500,000	$ 500,000,000*	.030000
** Includes TID value increment in TID 1, Municipality "A"*		

Step 5 Explanation

- There is a difference in the tax rate of 19.15 cents per thousand dollars of equalized value without the TID in Municipality "A" (.0031915 shown in Step 3), compared to the rate with the TID (.0030000 shown in Step 5)
- This results in a $19.15 tax decrease for the county portion of taxes on a property valued at $100,000 when the TID terminates

When a municipality has no TIDs, the municipal apportioned levy is the same as the county taxes collected. If there are no TIDs in a county, the county tax rate is lower for everyone. However, if there are TIDs, every taxpayer in the county pays a higher rate to generate the increment paid to the municipality operating the TID. All taxpayers in the county share this cost because they will all share the expanded tax base once the TID terminates.


TID 5 Overview
Parcel Boundaries
TID 5
City Limits
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TID5
TID6
Platteville
US 151
US 151 Business
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WI 81
CITY OF PLATTEVILLE
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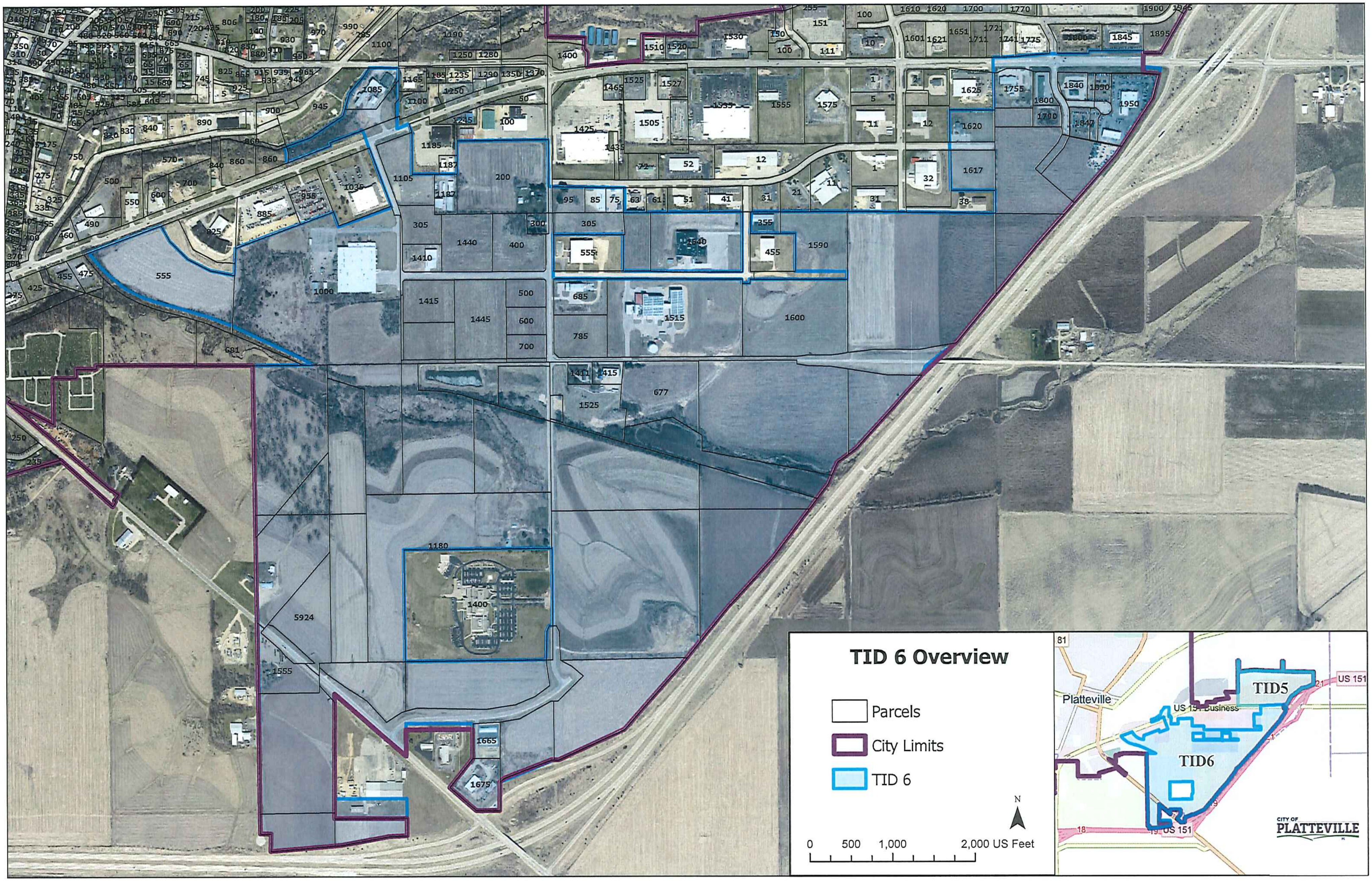
TID 6 Overview
Parcels
City Limits
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TID6
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US 151
CITY OF PLATTEVILLE