

## Community Development Authorities

### Development Tool for Wisconsin Municipalities

On-going budget worries and citizen pressures for “Smart Growth” have made the use of CDAs and RDAs – Community Development Authorities and Redevelopment Authorities – more popular than ever. These quasi-governmental agencies give municipal governments greater flexibility to address development issues through public-private partnerships while providing alternative avenues for financing projects.

#### CDA vs. RDA – What’s the Difference?

A CDA and an RDA have similar structures and powers. The primary difference is that a CDA includes all the powers given to Housing Authorities and Redevelopment Authorities. If a municipality already has a Housing Authority and wants to keep it as a separate organization, then it would create an RDA. If a single organization is desired, the Housing Authority would be dissolved and a CDA would be created. For the purposes of this information, we will use the term CDA and imply both CDA and RDA.

#### What is a CDA?

A CDA is created by the municipal government as a separate organization with its own governing body. Only two members of the seven-member board can be Council/Board representatives. The purpose of the organization is to prevent and eliminate

blighted areas within the municipality. It has the power to condemn property, buy and sell real estate, issue bonds, and enter into contracts, among other powers.

#### Benefits

Since CDAs have many of the same powers as the municipality but not as many restrictions and political constraints, they can exercise greater flexibility and be involved in public-private

partnerships in a different way than the municipality. The CDA then becomes a tool the community can use to come up with more creative redevelopment strategies than may be possible if only the municipal government was involved.

An additional benefit to the municipal government of having a CDA in place is that the debt of the CDA can be structured in such a way that it does not count against the statutory debt limit of the municipality. Therefore, the CDA can be a vehicle for financing projects that otherwise could not be financed due to municipal debt limitations.



#### “Benefits of CDAs”

CDAs offer many benefits which are valuable to communities wishing to promote new development. Some of these benefits include:

1. Expanding the legal authority to work with the private sector.
2. New borrowing options for municipalities.
3. Attractive financing and incentives for private development.
4. Owning and managing real estate.



## Case Studies

### Prairie du Chien Uses CDA as Development Tool

Over the last 15 years, the City of Prairie du Chien has experienced a significant amount of industrial development. A total of seven major business development projects have been successfully completed resulting in the creation of over 1,200 new jobs and over \$30 million in new tax base. Most notably, Cabela's selected Prairie du Chien for its new fulfillment center and destination retail store. This new development was greatly aided by the City's use of a CDA.



In Prairie du Chien, the Industrial Development Program is managed by a Industrial Development Corporation (IDC). The IDC works in partnership with the Common Council. Due to the success of their program, the City found itself challenged to finance the costs related to this new development. They were faced with not taking advantage of opportunities or finding a new way of doing business. The solution for Prairie du Chien was to create a CDA. The CDA has allowed the City to finance the development costs with Lease Revenue Bonds, which do not go against

the City's statutory debt limit. In addition, the CDA has provided the City with the authority to structure creative development agreements, which have stimulated more new development and eliminated or prevented blight.

In Prairie du Chien, the CDA is being used as a tool when needed to make a deal work. The IDC and Common Council still manage the Industrial Development Program.

### DeForest RDA

Ten years ago, the Village of DeForest embarked on an aggressive community development program. The Village's goal was to expand its industrial base and redevelop its blighted downtown area. The Village decided that an RDA in combination with TIF and intergovernmental grants was the only way to accomplish both goals, due to the amount of financing that was needed on top of the need to finance other Village projects.

The DeForest Redevelopment Authority (DRA) was created to both provide financing and manage the industrial development and downtown redevelopment programs. Today, the DeForest Business Park is nearly built out and the downtown has seen significant redevelopment. The Village's TID No. 1 has generated over \$75 million in tax increments, which is helping to pay for improvement in the downtown.

### Where do they get their money?

CDA's can obtain funding for projects and operations from a number of sources. Many municipalities will provide operating funds for their CDA's. CDA's can use Tax Incremental Financing (TIF) funds if the CDA is used to accomplish the purpose of the TIF District. CDA's can be recipients of intergovernmental grants. Many CDA's build cash reserves through the buying and selling of real estate associated with redevelopment projects.

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