

# Vierbicher *Bulletin*

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Information for Municipal Officials

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## TIF Reform

### Greater Flexibility for Municipal Development Planning

Newly enacted changes to Wisconsin's Tax Incremental Financing (TIF) law gives cities and villages much greater flexibility to guide the growth and redevelopment of their communities. The changes, approved by the Senate on January 20, 2004, with a "clean-up" bill signed by Governor Doyle on May 2, 2005, also gives municipalities greater ability to use TIF to implement their comprehensive plan and align development goals with "smart growth" objectives.

In particular, the new law greatly improves the economic feasibility of redevelopment TIF Districts and makes TIF a viable tool for managing growth and development over a longer period than allowed under the old TIF law.

Some of the new provisions apply to all TIF districts after the effective date of the legislation. Other provisions only apply to new districts created after October 1, 2004.

#### Key Elements of the New TIF Law

**1** Municipal TIF capacity increases to 12 percent of equalized value. Many communities that have exceeded their ability to create another Tax Incremental District (TID) under the old five percent/seven percent rule now have the ability to use TIF. This provision applies to all new TIF districts created after October 1, 2004.

**2** Up to four boundary amendments can now be made to a TIF District. Additionally, areas can be subtracted from a TIF district as part of a boundary amendment. This gives municipalities greater flexibility to man-

age the use of TIF on an on-going basis and provides greater options when the municipality's TIF capacity is exceeded. This provision applies to all existing and new TIF districts, so for those municipalities that currently have more than 12 percent of their equalized value in TIF, they now have the option of taking enough property out of an existing TIF district to bring it below the 12 percent threshold.

**3** A new type of TID is authorized - "mixed use" - that allows project costs to be incurred for newly-platted residential subdivisions that comprise no more than 35 percent of the new area of the TID and meet certain density or design requirements. The Department of Revenue is required to monitor compliance with this provision. Mixed-use TIFs are exempt from the vacant land test. This provision applies to TIF districts created after October 1, 2004.

**4** The life of blight elimination TIF districts is extended to 27 years and applies to all blight elimination TIDs - existing and new, effective April 22, 2004. The life of industrial TIDs and the new "mixed-use" TIDs will be 20 years for districts created after September 30, 2004. All TIF districts created after September 30, 2004, may have their life extended by three years if cash flow is not sufficient to retire expenses and the extension is approved by the Joint Review Board. Blight elimination TIDs

"The changes embodied in SB 305 are enormously important to local economic development professionals and local governments.

The resulting positive impacts on economic development, because of TIF reform, will be felt far into the future. TIF is a major 'tool' available to local economic development professionals and municipalities to help Wisconsin compete for business expansion and new business attraction."

- Barb Fleisner,  
Executive Director, Marshfield  
Chamber of Commerce  
President, Wisconsin Economic  
Development Association



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between October 1, 1994, and September 30, 2004, may have their life extended by four years effective April 22, 2004.

**5** Expenditure periods have been extended to five years less than the life of the TIF district. This applies to all existing and new TIF districts effective October 1, 2004. Many municipalities have TIF districts that have exceeded the seven- or ten-year expenditure period under the old law, yet they still have improvements that could be made to further the purpose for which the district was created. Municipalities can now move forward with those improvements and stimulate further development within those TIF districts.

**6** A TIF district may be amended to allow the sharing of TIF revenue from a donor district to a recipient district as long as the recipient district is a blight elimination district or has redevelopment-related project costs. This provision is effective July 1, 2004.

**7** Cash grants to developers are prohibited unless the recipient has signed a development agreement and the public hearing notice contains a statement regarding cash grants if they are anticipated as part of the TID district project costs. This provision applies to TIF districts created after October 1, 2004.

**8** The time required to create a TIF district has been reduced by approximately three weeks. Under the new law, only 14 days must elapse between the public hearing and action by the governing body. Additionally, a Joint Review Board can act immediately after approval by the governing body and no longer has to wait 10 days to act. This provision applies to TIF districts created after October 1, 2004.

**9** Land annexed after January 1, 2004, cannot be included in a TIF district unless at least three years have elapsed since the annexation or the City/Village has a boundary agreement with the Town or agrees to pay the Town the equivalent of the Town's portion of the property taxes on the annexed parcels for five years. This provision applies to TIF districts created after October 1, 2004.

### TIF Summary in Wisconsin

Total TIDs Created .....	1,2809
Number of TIDs in Existence.....	798
Total TIF Incremental Value .....	\$11,347,909,440
Number of Cities and Villages with a TID .....	355

Source: Wisconsin Department of Revenue, 12/31/04 data



### Vierbicher Can Help!

Vierbicher Associates, Inc., has extensive experience assisting communities plan, create and implement TIF programs. Our experience includes the following:

#### Creation of 102 New TIDs

- 58 Industrial Development TIDs
- 35 Blight Elimination TIDs
- 23 TID Amendments
- 4 Mixed-use TIDs

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