

Five Keys to Successful TIF Management

Tax Incremental Financing (TIF) is a powerful tool available for municipalities to help guide growth and development. Although there are strict rules, TIF allows flexibility to respond to opportunities as they arise over the life of a TIF district. Successfully managing a TIF district to maximize benefit to the municipality and the overlying taxing jurisdictions while not breaking the rules is easy if you keep the following in mind:

1 Performance Measures

When your TIF district was established, assumptions were made regarding a number of variables including future mill rates, the timing of construction increment, the rate of property appreciation, the value per acre of new development, costs and inflation rates. These key assumptions are critical to the long-term success of the TID and need to be monitored over time so that adjustments can be made. For example, if infrastructure costs are greater than anticipated, then the municipality may need to increase the value created per acre per a given amount of TIF assistance.

2 Phasing

When a municipality incurs expenses in a TIF district it should only do the minimum necessary to bring development to the table - a concept known as phasing. Once a commitment for a project has been made, the municipality knows the source of a portion of the TIF revenue and then it can invest the dollars justified by the increment being proposed. Some communities get in trouble because they feel they need to install sewer, water and streets throughout their new business park in order to sell lots. In most cases if sewer and water is brought to the site and a road stubbed in, that is sufficient to market a business park. Deferring infrastructure improvement until private development takes place also allows communities to access grants to help fund the improvement.

3 Development Agreements

One of the reasons TIF districts are such a powerful tool is that they rely upon public/private partnerships to accomplish the objectives of the TID. Private investment generates the revenue to pay the public investment that is needed to make development possible. The development agreement represents the terms and conditions of the partnership between a private investor and the public as it relates to a specific development project. As such, it should ensure that the TIF investment is recovered within the life of the TIF.

4 Payback Period

Payback period is the amount of time it will take a development project to pay back the direct TIF investment in that project, including financing costs. It is important to a successful TIF district that the Payback Period for a project is less than the remaining life of the TIF district. Two reasons for this are:

- Risk management - leaving enough of a cushion to account for unexpected events such as a reduction in the mill rate, and
- Overhead costs - TIF funds are often used to cover expenditures that are not considered direct costs of a project, but still indirectly benefits the project.

5 Amendments

With longer expenditure periods, an allowance for up to four boundary amendments and the ability to subtract property from a TIF district, the nature of a TID can change significantly over time to respond to the changing development needs of the community. For example, a municipality with a successful TID may find itself without the capacity to create another district. By subtracting property that fully developed early in the life of the district, the municipality could create enough capacity to form that new TIF district.

Legislative Update

A change to the TIF law is making its way to the Governor's desk as this *Bulletin* goes to press. SB 596 would allow a municipality that is beyond its capacity to create a new TIF to simultaneously subtract territory and create the new TIF. Under the current TIF law, a municipality in this situation would need to wait approximately 18 months between the subtraction and the creation of a new TIF district.

Upcoming grant deadlines and funding agency contacts - see reverse side



Agency Contacts

Wisconsin Department of Natural Resources

Southeast - Tom Blotz, 414/263-8610
 Northeast - Gary Hanson, 920/662-5123
 Northern - Pat Zatopa, 715/365-8928, and
 Diane Conklin, 715/635-4130
 West Central - Lavane Hessler, 715/839-3751, and
 Karen Blodgett, 715/836-6574
 South Central - Stefanie Brouwer, 608/275-3218

Wisconsin Department of Commerce

Area Department Manager, 800/HELPPBUS
 CDBG Housing,
 Caryn Stone, 608/267-3682

Wisconsin Department of Transportation

Dennis Leong, 608/266-9910

Wisconsin Department of Administration

Planning, Joanna Schumann, 608/267-3369

USDA Rural Development

Mark Brodziski, 715/345-7610

Economic Development Administration

Robert Sawyer, 312/353-8575

Vierbicher Can Help!

Vierbicher Associates, Inc., has 30 years of grant writing experience. We have assisted local governments obtain over \$50M in grant funds and create 106 Tax Incremental Districts.

For more information on available funding, please contact:

Madison - 800-261-3898

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Upcoming Application Deadlines

<u>Infrastructure Programs</u>	<u>Deadline</u>
Local Transportation Enhancements.....	April 14, 2006
DNR - Clean Water Fund Application	June 30, 2006
DNR - Clean Water Fund (<i>Intent to Apply</i>).....	December 31, 2006
DNR - Safe Drinking Water Act (<i>Intent to Apply</i>) ..	December 31, 2006
DNR - Safe Drinking Water Act (<i>Final Application</i>).....	April 30, 2007
COMM - CDBG Public Facilities	No Deadline
COMM - CDBG Public Facilities for Econ. Dev. ...	No Deadline
DOT - Transportation Economic Assistance	No Deadline
EDA - Public Works & Development Grants	No Deadline
Rural Dev. - Water & Waste Systems Program.....	No Deadline
Tax Incremental Financing	No Deadline

<u>Water Resources Programs</u>	<u>Deadline</u>
DNR - Lake Planning Grants	August 1, 2006
DNR - Targeted Runoff Management Grant.....	April 15, 2006
DNR - Municipal Flood Control Grant.....	April 15, 2006
DNR - Urban Non-Point Source & Storm Water Grant....	April 15, 2006
DNR - Lake Protection Grants.....	May 1, 2006
DNR - River Planning Grants	May 1, 2006
DNR - River Protection Grants.....	May 1, 2006

<u>Recreation Programs</u>	<u>Deadline</u>
DNR - Recreation Boating Facilities	Quarterly
Local Transportation Enhancements.....	April 14, 2006
DNR - Local Park Program.....	May 1, 2006
DNR - Urban Green Space	May 1, 2006

<u>Municipal Buildings Programs</u>	<u>Deadline</u>
COMM - CDBG Public Facilities	No Deadline
Rural Dev. - Community Facilities Program	No Deadline

<u>Economic Development Programs</u>	<u>Deadline</u>
COMM - Development & Enterprise Zone	No Deadline
COMM - CDBG-Economic Development	No Deadline
Tax Incremental Financing	No Deadline

<u>Brownfield Redevelopment Programs</u>	<u>Deadline</u>
Environmental Remediation TIF	April 1, 2006
DNR - Land Recycling Loan Program (<i>Intent to Apply</i>)	December 31, 2006
COMM - CDBG Blight & Brownfield Redevelopment	No Deadline
Tax Incremental Financing	No Deadline

<u>Comprehensive Planning Programs</u>	<u>Deadline</u>
Comprehensive Planning Grants.....	Fall 2006
DOT - SMIP (LE & STP-D)	Spring 2007

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