

**City of New Berlin**  
**Tax Incremental Financing Policy (TIF)**  
*Adopted by the Common Council 01/12/2016*

**I. INTRODUCTION**

Tax Incremental Districts (TIDs), also known as Tax Incremental Finance Districts (TIFs), were first established by the Wisconsin Legislature back in 1976 and, to this day, remain one of the few and generally, most effective ways, for municipalities to promote tax base expansion and economic development through its own initiative.

TIDs are authorized for cities and villages under Wisconsin Statute sections 66.1105. Over the years, TIDs have been aimed at eliminating blight, rehabilitating declining property values, promoting industry & economic development and encouraging mixed-used development. TIDs are a tool whereby a city can participate in local project financing by using some or all of the new incremental increase in property taxes generated by new development investment within a geographic district to pay for such projects as public infrastructure upgrades such as roads and utilities.

The most recent TID established in the city of New Berlin was for the Westridge/Towne Corporate Business Park and remains, still today, one of the best performing TIDs in all of Waukesha County both in terms of new property value created but, also in terms of the closing early. Westridge had an estimated timeline for completion at 17 years but, it was closed out in nine years and created over \$182 million in property value up from a base value of \$5 million.

As the City of New Berlin looks to prepare plans for future growth areas in the City, TIDs may be an appropriate topic worth evaluating as part of public infrastructure investment and/or other investments as these areas develop. Applications for tax incremental financing may be considered in mixed-use districts, industrial/business park districts, and/or commercial districts. Projects proposed in those areas of the City shall be reviewed in light of the goals established through the Comprehensive Plan.

The purpose of this policy is to outline standards and processes that the City of New Berlin will use in initiating or considering applications for Tax Increment Financing (TIF). It should be noted that the City will utilize the State of Wisconsin's "***A Guide to Wisconsin's Tax Increment Law***", Publication #: PE-207(R. 4-13) as amended from the Wisconsin Department of Revenue for guidance as to process and procedures, as well as applicable state statutes. The adoption of this policy in no way implies that the City will approve any or all applications for TID financing. Applications for TIF will be reviewed on a case-by-case basis by the City of New Berlin Common Council with recommendations coming from the Department of Community Development, the City's Plan Commission or the Community Development Authority (CDA) who are authorized to review projects on behalf of the City's Common Council. If a TIF application is initially deemed feasible, a TIF district can be created as prescribed in state statutes. Final approval of a TIF district lies with the Joint Review Board, which consists of representatives of all underlying taxing jurisdictions (including the City) and a citizen member. If approved, the TID project plan outlines the eligible expenditures and projects that can be funded with TID revenues. Project authorization is required by the Common Council. Tax Increment Financing is not a right under Wisconsin law and meeting these policies should not be interpreted as creating any rights or entitlements in any applications.

## **II. BASIC PROVISIONS**

Once a TID is created, applications for Tax Increment Financing (whether initiated by the City of New Berlin or requested by a developer or business) will be reviewed by the Department of Community Development with all final approvals vested to the City of New Berlin Common Council. The Department of Community Development will seek input from the Finance Department, Assessor's Department, Mayor's Office, and City Attorney's Office and shall prepare a staff report for purposes of review and recommendation by the Plan Commission or Community Development Authority (where applicable). The Plan Commission and/or Community Development Authority shall review and make recommendations to the Common Council.

The terms and specific details of each TIF application are developed on a case-by-case basis based upon the merits of the project and adherence to this policy. In developing an application, the applicant (the City or developer) shall meet the following basic policies and requirements outlined in the subsequent sections in the opinion of DCD and the Common Council.

It should be noted that it is not the intent of the City to provide any direct TIF support to a developer that finances their direct development obligations such as land purchase, site grading, general development costs, and/or construction/building costs. It is the City's desire to focus TIF funding towards public infrastructure projects that directly supports a given development and that helps to reduce impacts on the City's overall CIP programming and financials.

## **III. CITY'S GOALS AND OBJECTIVES FOR THE USE OF TID**

Using these policies, the City's Comprehensive Plan, Capital Improvement Budgets (CIP) and state statutes as guides, the City of New Berlin will consider using Tax Increment Financing to assist private development projects to achieve one or more of the following goals, objectives and/or priorities (not listed in any order of priority):

- ❖ Encourage redevelopment in the commercial and industrial areas of the City in order to encourage high quality development or redevelopment and private investment in those areas consistent with the City's Comprehensive Plan, CIP Budgets, and/or other planning & community development policies as established.
- ❖ Where the construction of new public infrastructure to service the proposed developments can be facilitated to alleviate future burdens on the City's Capital Improvement Budgets and to reduce and/or minimize costs to New Berlin taxpayers.
- ❖ The project creates public infrastructure facilities that have application and usefulness beyond that particular development under review, such as improvements to traffic patterns (roadways, signals, etc.), parking facilities, public utilities such as sewer, water & stormwater (storm sewer) and/or environmental remediation.
- ❖ To retain local jobs and/or increase the number of quality jobs (stable employment and/or attractive wages and benefits).
- ❖ To facilitate the development process and to achieve development on sites which would not be developed to the "highest and best use" of the site and the community's vision without this assistance.
- ❖ To meet other uses of public policy, as adopted by the Plan Commission and/or Common Council from time to time, including the quality of urban design, quality architectural design, green building/energy conservation, decreasing the capital and operating costs of the City of New Berlin, etc.

#### **IV. QUALIFYING EXPENDITURES**

Any costs allowable by *Wisconsin Statute Section 66.1105(2)(f)1 & 2* (as amended) may qualify for Tax Incremental Financing but, actual costs allowed are under strict evaluation of the City of New Berlin Common Council and must be authorized expenditures included in the TID Project Plan. These eligible expenses are to include all City staffing and consulting costs associated with the potential creation of a TID as provided for by Wisconsin statutes.

#### **V. APPLICATION REQUIREMENTS**

Applicants for Tax Incremental Financing shall demonstrate the “but for” test that the City of New Berlin’s participation is economically necessary and that participation is needed to undertake the project as without this participation the project could not proceed. The “but for” test will be evaluated for each TID or project on a case-by-case basis. Criteria to consider can include, but is not limited to, development not occurring in the manner, at the values, or within the timeframe desired by the City; job creation or job retention; and the level of public infrastructure required to make an area suitable for development or redevelopment.

In order to evaluate the project, the developer/owner shall be forthcoming with information helpful to the City in order to verify the need. This may be in the form of a pro-forma that identifies rent or sales projections, hard and soft construction costs, debt/equity ratios, terms and conditions of debt, capitalization rate, net operating income (NOI) expectations, etc. Additional information may include a development budget, financial commitments of project lender(s) market & financial feasibility studies, appraisals, absorption rates & schedules, and/or project implementation plan and schedule.

The developer/owner shall also provide proof that adequate financial assurances/guarantees are in place to ensure that increment generated will be sufficient to cover the annual debt service payments and to ensure that the project is completed. These may include, but are not limited to: letters of credit, bonds, or escrow accounts.

Any developer requesting TID assistance shall be able to demonstrate a track record of successful project completion and the ability to perform and develop said project in the type and size of development proposed. TIF will not be used if the developer’s credentials are, in the judgment of the City, inadequate due to past performance issues relating to: unfinished projects, bankruptcy, reputation, and/or any other issues or problems the City deems relevant as part of its evaluation of any given request.

#### **VI. PERFORMANCE AND DESIRED QUALIFICATIONS**

Projects should meet the following financial feasibility criteria as established by the City of New Berlin:

- ❖ Keeping a proposed TID District to 15 years or less.
- ❖ Keeping the ratio of Developer contributions (dollars) to TID monies to approximately 2:1. It is expected that the developer shall provide a higher contribution towards projects than will the City using TID funds.
- ❖ The Developer(s) shall be willing to enter into a Development Agreement with the City on each project approved. The Development Agreement will describe the obligations of both the City and developer and the terms and conditions of assistance.

- ❖ The applicant will guarantee an increased equalized real estate value.
- ❖ The applicant will be expected to outline and agree to performance based standards or benchmarks such as projected tax increment value (equalized), minimum square feet of construction by certain dates and other similar benchmarks.
- ❖ The applicant will be expected to financially guarantee that said performance based standards or benchmarks will be met and, if not, those guarantees can be used to secure the debt service payments in any given year or timeframe.
- ❖ The City will give preference to projects that will create a higher property tax based upon a before and after analyses. In general, the City would like to see a doubling of new taxes paid post-development or after redevelopment or a 1:2 ratio.
- ❖ TID proposals should not be used for speculative development. The City will require Letters of Intent, tenant commitments and/or filed applications for zoning amendments and/or use, site and architectural approvals.

## **VII. APPLICATION PROCESS**

All applications for a TID shall be submitted with the required information, forms and fees as established by the Common Council and as amended from time-to-time. The applicant will be expected to present their development proposal to the Common Council for determination as to whether or not the City wishes to further review the application. The Common Council will refer the application on to the Plan Commission or Community Development for their review and recommendations prior to taking final Council action. Ultimately, all expenditures will need to be approved by the joint review board as part of the project plan.

*Adopted by the Common Council on January 12, 2016.*