

**MUNICIPALITY (CITY/VILLAGE/TOWN) TAX INCREMENTAL FINANCING (TIF)
COMMON LANGUAGE GUIDELINES FOR PROJECT PLANS**
(for TID's created under 66.1105 and 60.85)

A 1991 study of Wisconsin's TIF Law by the Legislative Audit Bureau resulted in several recommendations designed to improve the use and simplify the administration of Tax Incremental Districts (TID). One recommendation was to establish guidelines for items required in project plans. It specified that these guidelines should be written in "common language" so they could be readily understood by those responsible for developing the plans, and by the general public.

In 2004, the Wisconsin Legislature approved using TIF as a possible financial tool for towns to pay for specific agricultural, forest, manufacturing and tourism activities as classified in the North American Industry Classification System (NAICS), 1997 edition, published by the U.S. Office of Management and Budget.

The list below shows the elements or subject areas that must be a part of the project plan, in accordance with s. 66.1105(4)(f) or s. 60.85(3)(f):

1. Statement of kind, number and location of proposed public works.
2. Economic feasibility study.
3. Detailed list of project costs (financing costs should be included in project costs).
4. Description of the methods of financing and the time when such costs or monetary obligations are to be incurred.
5. Proposed changes in zoning ordinances, master plan, building codes, map, and city ordinances.
6. List of non-project costs
7. Proposed plan for relocating any displaced persons or businesses
8. Indication of how the district's creation promotes the orderly development of the municipality.
9. A map showing existing uses and conditions of real property in the district.
10. A map showing proposed improvements and uses in the district.
11. A signed attorney's opinion that the plan is complete and complies with the law.

The following **examples** are what might be included in each part of the plan.

1. **Statement of kind, number and location of proposed project** – This could include a narrative describing the general goals of the TIF district, by specific project, plus a listing of major public improvement categories and why each is needed. General categories might include sanitary sewer, storm sewer, water system improvements, streets and amenities, site preparation, land assembly costs, administrative and organizational costs, relocation costs, and financing costs. Development incentives and cash grants are eligible project costs **only** if a development agreement has been signed between the developer and the municipality.
2. **Economic feasibility study** – An economic feasibility study could be done in several different ways, but there are certain items that should be included in each case. The following data should be presented in the plan to substantiate the details of the study.
 - a) Information to show the municipality has the resources to finance proposed projects. An example is a general obligation borrowing limit projection.
 - b) A projection of anticipated tax increment revenues and when they are expected to be received.
 - c) A list of non-general obligation securities that will be used.
 - d) A list of anticipated new development and projection of tax increment revenue expected.
 - e) An exhibit depicting the annual cash flow throughout the TID's life. This could show that revenues should be sufficient to cover the anticipated expenditures, or that shortfalls paid by the municipality could be recovered within the TID's maximum life.
 - f) Information regarding general economic conditions in the municipality and showing how the anticipated development fits into the picture.

3. **Detailed list of project costs** – This list should show estimated expenditures expected for each major category of public improvements listed in item 1. above. Detail the specific improvements being paid for through TIF with tax increment revenue. It might also include the amounts that would not be paid with tax increments. Present the total costs being paid with increments and the total costs not paid with increments. For those costs not paid with increment revenue, please detail the revenue sources that will be used. For example, grants, special assessments, utility assessments, other tax revenue or other sources. PLEASE BE AS SPECIFIC AS POSSIBLE.
4. **Description of the methods of financing and the time when such costs or monetary obligations are to be incurred** – A description of how the projects will be financed should be included. If the municipality intends to issue its securities for this purpose, the type of security and schedule for repayment could be shown. A chart could be developed that shows when each project is expected to be completed. Then a bond issue based on the total expenditures for each year could be planned. Or, an issued could be budgeted to pay for projects to be completed in more than one year.
5. **Proposed changes in zoning ordinances, master plan, building codes, map, and city ordinances** – Any proposed changes in zoning ordinance, master plan, building codes, map, or city ordinances should be described. If none are planned, a simple statement to that effect may be adequate.
6. **List of non-project costs** – The identification of “non-project costs” has been a difficult part of the project plan process for quite a while. Section 66.1105(4)(f) or Section 60.85(3)(f) lists what should be included in a project plan, but fails to provide a definition of “non-project costs”. Section 66.1105(2)(f)2 or Section 60.85(1)(h)2 lists the costs that are not allowable project costs, such as cash grants to developers, construction of administrative buildings and general government operating expenses unrelated to the development of a TID. Since 1981, the allowable project costs have been limited to the proportionate amount of the project that benefits the TID. To the extent the project benefits property outside the district, that part of the cost is not a project cost. Thus, it is concluded that “Non-project” costs are public works projects that only partly benefit the TID or are not eligible to be paid with tax increments. An example of a cost that is partially “non-project” is an interceptor sewer that serves property both in and out of the district. Other examples of costs not eligible to be paid with TIF funds are those amounts that are special assessed to property owners or paid with user fees, general government operating expenses not related to the project and cash grants.
7. **Proposed relocation plan for displaced persons or businesses** – If any persons or businesses are expected to be relocated because of a project, a description of how the municipality intends to comply with the provisions in Wisconsin Statutes Chapter 32.19 and 32.95 should be included. Please refer to those chapters, or contact the municipal attorney to determine what actions must be taken.

TIF **does not relieve** the municipality of its responsibility to pay relocation benefits, but these benefits are an eligible project cost and so can be paid for with tax increments.
8. **Indication of how the district’s creation promotes the orderly development of the municipality** – A description of how the district’s creation promotes orderly development must be included. An example could be that by using TIF to offset some costs, the municipality can convince developers to locate development in a desired area rather than the community’s outer fringes where costs are lower. Thus, the developer can realize the desired profit and the community gets the kind of development it wants in a location where it would not occur naturally.
9. **A map showing existing uses and conditions of real property in the district** – Self explanatory.
10. **A map showing proposed improvements and uses in the district** – Self explanatory.
11. **An attorney’s opinion that the plan is complete and complies with the law** – The attorney’s opinion that the plan is complete and complies with the law may be written by the municipality attorney or one retained by the municipality for that purpose.