

# **The Two Sides of TIF: An Analysis of Tax Incremental Financing in the Greater La Crosse Region**

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## **Executive Summary**

This report provides a summary of tax incremental financing (TIF) in the greater La Crosse region, with a focus on the City of La Crosse. Several key findings and policy considerations are highlighted below.

### **Key Findings:**

- ***Considerable growth of TIF use in Wisconsin and greater La Crosse region.***
  - TIF use in the state has grown 41% since 2000.
  - The City of La Crosse's TIF utilization rate grew from 5% in 2000 to just over 8% in 2012, with TIF districts now covering the vast majority of downtown.
    - Still, La Crosse's TIF utilization rate compares with other similar-sized cities throughout WI.
  - Municipalities in La Crosse County utilize TIF at a lower rate than in some surrounding counties, including Trempealeau, Monroe, and Crawford Counties.
- ***TIF can be a highly effective tool for increasing property values, especially for blighted main street properties.***
  - TIF investments have increased area property values as intended, often in a dramatic fashion.
    - For example, TID #5 along Front and King Streets in downtown La Crosse began with a base value of \$894,800 in 1992 and grew to over \$8.5 million dollars in 2012, an increase of 857% in total property value.
- ***Several TIF districts have been hurt by the Great Recession.***
  - Because real estate property values began to decline in 2009, some TIF districts have struggled and will take longer to expire, straining local budgets.
    - For example, in the Village of Warrens, property values in TID #1's increment decreased from \$90 million in 2008 to \$45 million in 2012, a decrease of 50%.
  - This is a warning that TIF projects carry inherent financial risks which require comprehensive scrutiny by public officials.
- ***With recent changes to Wisconsin's TIF law, some local governments are using TIF in ways not originally intended.***
  - While once purely an economic *redevelopment* tool, TIF use has now expanded to promote economic *development* that can sometimes foster sprawl.
  - Few TIF districts strictly adhere to the Wisconsin TIF statutes' "but for" and "blight" standards.

### **Policy Considerations:**

- ***Greater County involvement reviewing TIF plans during Joint Review Board process.***
  - County governments could provide technical assistance and planning input, when necessary, to ensure municipal development is consistent with existing comprehensive plans. This may help communities avoid risky, speculative TIF deals.

- ***Use reasonable conditions to help mitigate municipal risk.***
  - Well-crafted developer agreements with project specific conditions are recommended during negotiations. One example is developer financing of TIF projects (or “reverse TIFs”).
  - Municipalities should always consider worst case scenarios regarding TIF performance (e.g. no property value growth) to weigh the potential fiscal impact of new TIF deals.
  
- ***Include consideration of regional impact in TIF master plans.***
  - Limiting TIF use to those projects that foster real job growth instead of “job piracy” from neighboring La Crosse area communities can maximize TIF benefits regionally.
  
- ***Strict adherence to the “but for” and “blight” standards in the state TIF statute.***
  - Restrict TIF adoption for main street redevelopment, as opposed to sprawl or greenspace development.
    - This maximizes TIF impact for truly blighted properties in need of governmental assistance and reduces the risk of fiscal stress.
  - TIF master plans should clearly describe what standards municipalities use for designating “blight,” as well as consider developer profit with and without TIF assistance.

## **The Two Sides of TIF: An Analysis of Tax Incremental Financing in the Greater La Crosse Area**

Tax incremental financing (TIF) is a relatively new tool used by local governments to help foster economic development, with more and more communities using it in the Seven Rivers Region over the past twenty years. Due to the inherent complexity of TIF, it poses potential risks and benefits for local units of government. On the one hand, TIF can be an incredibly beneficial tool that stimulates property value growth, especially for blighted properties that may not otherwise be considered for redevelopment. On the other hand, TIF can also be a risky strategy for ambitious local governments that can end up straining local finances and municipal services. The purpose of this report is to present to what extent TIF is used in the greater La Crosse area, as well as highlighting TIF's advantages and disadvantages, or "the two sides of TIF."

### ***What is TIF?***

Tax incremental financing is a way that local governments can offer financial support for real estate projects in their communities by using future property taxes that grow from the project.

Take a run-down commercial property, for example, which has sat idle for years. It has a vacant storefront, has boarded-up windows, and is generally a neighborhood eyesore. It continues to demand many calls for city services, including the police and fire departments, although it does not generate much property tax revenue. Real estate developers have not acted on redeveloping this property because of its perceived problems and potentially high investment cost. However, local governments can offer financial support via TIF to help make the project viable, thus revitalizing the property so that it contributes to the tax rolls in the future.

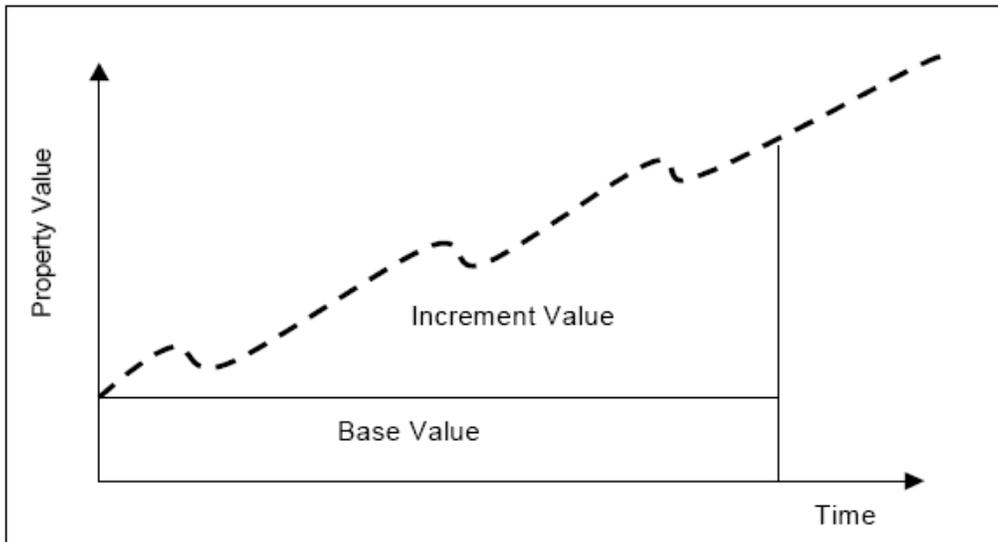
Typically, municipalities will borrow money, most often through municipal bonding, to fund specific infrastructure improvements within a designated TIF district. Infrastructure improvements within TIF districts can include roads, sewers, traffic lighting, signage, and/or the demolition of dilapidated structures. TIF projects can also specify financial incentives for developers, typically through a "Developers Agreement," based on economic returns, such as new jobs created, buildings renovated, or anticipated tax base growth.

How the local government repays that debt is the key to TIF, and what makes it different from just an ordinary, direct subsidy.

First, during the initial TIF negotiations, a local municipality identifies the TIF district boundaries, which can include one or several properties. Next, property values within this district are frozen at a "base" level, and property taxes continue to be paid to the local taxing entities at the base level. However, as property values grow within that district over time, all taxes derived from the *new* property value growth (or "increment") go towards paying off the debt on the local government's bond issue. Once that debt is repaid, then the TIF district is dissolved, and all property tax revenue (base + increment) flows to the local taxing jurisdictions like it would for all other taxable property in the municipality (see Figure 1).

When property values increase as a result of the TIF investment, bond repayment does not pose a problem. However, if property values do not rise, or end up falling, the municipality can be exposed to significant financial risk. The municipality may be required to use revenue from the general property tax levy (or other TIF districts) to cover the annual expenses of the TIF district. Cuts to existing municipal services are another potential consequence.

**Figure 1. Illustration of the Tax Incremental Financing Mechanism<sup>1</sup>**



To reduce potential overuse in Wisconsin, state statute (§66.1105) restricts municipal TIF use in several ways.<sup>2</sup> First, the state's TIF law restricts districts to a lifespan of up to twenty-seven years. Next, most potential TIF districts must pass two statutory tests: the "blight" and "but for" tests. The "but for" test maintains that any real estate development should not occur "but for" the TIF investment, or in other words, the development would not be able to happen unless TIF assistance is provided. Also, more than 50% of the properties within the TIF district are required to be designated as "blighted."

Over time, we have seen many municipalities liberally apply the "but for" and "blight" tests, mainly because of the confusing and ambiguous language of the statute. For example, while Minnesota's TIF law specifically defines what blight means (e.g. building code violations or low property values), Wisconsin's statute does not. This means that any property may be designated as "blighted" as long as the municipality deems it to be, including undeveloped but otherwise pristine greenspace.

With the ambiguity found in the state's TIF law, municipalities and real estate developers are now using TIF more than ever, with varying success. What was once a *redevelopment* tool is now a *development* tool. In other words, while TIF was originally designed primarily for *redeveloping* truly blighted main street or central city properties, TIF is now a *development* tool used by many smaller communities to grow their communities, often fostering "big box" commercial development and residential sprawl. The result is diminished capacity for central city and main street redevelopment in favor of sprawl.

### ***TIF Trends***

Wisconsin's TIF law was established in 1975, but was practiced in other states beginning as early as the 1950's. Since it was created, TIF use has grown considerably. Between 1990 and 2009, for

<sup>1</sup> Source: Wisconsin Department of Revenue.

<sup>2</sup> Many TIF district types exist, some with special exemptions and rules governing their use. The Wisconsin Department of Revenue (DOR) has a useful matrix for all TIF types listed here: <http://www.revenue.wi.gov/pubs/slf/tif/tif-trix.pdf>.

example, Wisconsin municipalities increased TIF utilization by 400%.<sup>3</sup> However, these trends differ within counties and across municipalities, including the greater La Crosse region, or Seven Rivers region.

**Table 1. Summary of Tax Incremental Financing in Greater La Crosse Area in 2012.**

Municipality	# of Districts	TIF Utilization Rate	Base Value	Increment Value	Total TID Value
De Soto*	1	2.8%	\$161,700	\$248,600	\$410,300
Ferryville	1	0.9%	\$52,100	\$170,500	\$222,600
Gays Mills	1	5.5%	\$7,900	\$1,200,500	\$1,208,400
Prairie Du Chien	7	22.6%	\$3,021,050	\$73,079,150	\$76,100,200
Wauzeka	1	7.9%	\$790,100	\$1,565,800	\$2,355,900
<b>Crawford Total</b>	<b>11</b>	<b>7.3%</b>	<b>\$4,032,850</b>	<b>\$76,264,550</b>	<b>\$80,297,400</b>
Black River Falls	4	8.6%	\$2,607,200	\$19,753,500	\$22,360,700
Hixton	1	1.7%	\$1,490,000	\$324,400	\$1,814,400
Taylor	2	23.0%	\$472,800	\$3,070,300	\$3,543,100
<b>Jackson Total</b>	<b>7</b>	<b>1.6%</b>	<b>\$4,570,000</b>	<b>\$23,148,200</b>	<b>\$27,718,200</b>
Bangor	1	0.0%	\$484,800	(\$10,500)	\$474,300
Holmen	1	0.0%	\$2,647,000	(\$12,200)	\$2,634,800
La Crosse	11	8.2%	\$285,298,900	\$256,968,000	\$542,266,900
Onalaska	1	0.0%	\$17,241,400	(\$1,142,500)	\$16,098,900
Rockland	1	2.8%	\$807,600	\$717,800	\$1,525,400
West Salem	1	2.7%	\$4,910,800	\$8,981,100	\$13,891,900
<b>La Crosse Total</b>	<b>16</b>	<b>3.3%</b>	<b>\$311,390,500</b>	<b>\$266,666,900</b>	<b>\$576,892,200</b>
Cashton	3	27.4%	\$1,250,500	\$15,220,700	\$16,471,200
Kendall	1	13.4%	\$399,800	\$2,363,000	\$2,762,800
Oakdale	1	31.8%	\$1,630,400	\$6,439,500	\$8,069,900
Sparta	5	8.8%	\$3,281,700	\$41,302,500	\$44,584,200
Tomah	1	2.6%	\$172,900	\$14,863,200	\$15,036,100
Warrens	1	78.9%	\$8,113,400	\$44,819,400	\$52,932,800
Wilton	2	31.6%	\$2,321,800	\$7,161,600	\$9,483,400
<b>Monroe Total</b>	<b>14</b>	<b>4.9%</b>	<b>\$17,170,500</b>	<b>\$132,169,900</b>	<b>\$149,340,400</b>
Arcadia	2	17.5%	\$767,200	\$26,720,600	\$27,487,800
Blair	3	21.6%	\$542,000	\$11,280,100	\$11,822,100
Galesville	1	4.8%	\$1,038,600	\$3,742,100	\$4,780,700
Independence	1	12.7%	\$557,900	\$8,513,600	\$9,071,500
Osseo	2	11.2%	\$2,828,500	\$11,806,000	\$14,334,200
Strum	1	0.0%	\$5,600	(\$5,100)	\$500
Trempealeau	1	1.9%	\$2,003,400	\$1,860,500	\$3,863,900
Whitehall	2	10.7%	\$7,448,300	\$8,505,200	\$15,953,500
<b>Trempealeau</b>	<b>13</b>	<b>3.9%</b>	<b>\$15,191,500</b>	<b>\$72,428,100</b>	<b>\$87,314,200</b>
Coon Valley	1	5.2%	\$57,700	\$2,069,900	\$2,127,600
De Soto*	1	2.8%	\$340,200	\$241,400	\$581,600
Hillsboro	2	24.7%	\$3,199,400	\$15,664,000	\$18,863,400
La Farge	1	13.8%	\$118,300	\$4,475,100	\$4,593,400
Ontario	1	12.5%	\$486,500	\$1,873,000	\$2,359,500
Viola*	1	4.1%	\$319,500	\$38,700	\$358,200
Viroqua	4	6.5%	\$3,781,600	\$15,236,600	\$19,018,200
Westby	3	9.5%	\$12,787,000	\$10,397,300	\$23,184,300
<b>Vernon Total</b>	<b>14</b>	<b>2.8%</b>	<b>\$21,090,200</b>	<b>\$49,996,000</b>	<b>\$71,086,200</b>
<b>WI State Total</b>	<b>1,126</b>	<b>3.1%</b>	<b>-</b>	<b>\$14,351,718,805</b>	<b>-</b>

\* Municipality resides in multiple counties.

<sup>3</sup> Kovari, John. 2009. "Too Much or Not Enough? A Statistical Analysis of Tax Incremental Financing in Wisconsin." Public Policy Forum: Volume 97, Number 3.

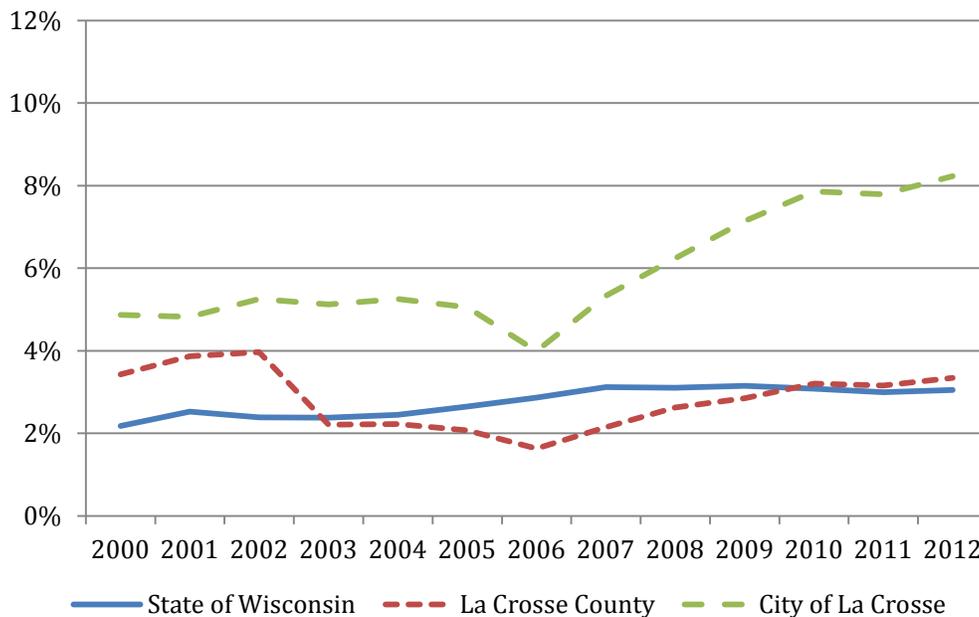
Unfortunately, because TIF is such a complex financial mechanism, and nearly every TIF project is different, there is no one best way to evaluate TIF usage. One way to look at how much TIF is utilized in a given community is to look a municipality's *TIF utilization rate*. The TIF utilization rate is basically a measure of the proportion of total property value that is designated as increment (or property value growth within a TIF district). Specifically, the TIF utilization rate is calculated by dividing the amount of property value designated as increment within a municipality by its total Equalized Value (EAV). A full list of the region's TIF utilization can be found in Table 1.

Two important points need to be made regarding this statistic. First, the state limits a municipality from creating a new TIF district if its utilization rate exceeds 12%.<sup>4</sup> The 12% TIF cap makes sure that municipalities avoid financial risks when utilizing TIF, so that municipal debt capacity is not stretched too thin when creating new TIF districts.

Second, many communities in Wisconsin are currently "TIF'd out," or exceed the 12% cap. For example, the Village of Warrens currently has a 78.9% rate, while the City of La Crosse is at 8.2%. In the region examined, there are currently 13 municipalities that are "TIF'd out," over one-third (35%) of the cities and villages currently using TIF. However, exceeding the rate is not necessarily a bad thing. It only indicates that the value of property within the district has grown, sometimes considerably so, and the municipality cannot create a new TIF district until its current district(s) expire. Overall, the 12% limit helps us then with determining to what extent a municipality "uses" TIF, keeping in mind that exceeding the limit is not inherently bad fiscal management.

So how does TIF utilization look in the greater La Crosse area? Figure 2 shows the comparison of TIF utilization rates for the City of La Crosse, La Crosse County, and State of Wisconsin. As Figure 1 presents, TIF utilization can vary over time, depending on which TIF districts are active, and to what extent property values have changed.

**Figure 2. Comparison of TIF Utilization Rates, 2000-2012.**



<sup>4</sup> The state-mandated 12% test actually refers to the TIF utilization rate plus the value of any proposed TIF district's base value.

Beginning with the City of La Crosse, we find that the City's TIF utilization rate increased from 4.9% in 2000 to 8.2% in 2012. The drop in 2006 to 4.0% occurred following the successful retirement of La Crosse's first TIF district located downtown. Since 2006, the rate has continued to climb to the current rate of 8.2%, with the establishment of five new TIF districts throughout the city, bringing the total number of active TIF districts in the city of La Crosse to eleven. These new districts include, but are not limited to: Grand River Transit in the heart of the downtown, Three Rivers Plaza, an expansion of Kwik Trip facilities, and neighborhood development surrounding Gunderson Lutheran Hospital. The vast majority of downtown La Crosse now resides within at least one TIF district.

Again, it is important to note the growth in TIF utilization rates is not a sign of aggressive, out-of-control TIF use. Increasing TIF utilization rates may also indicate successful TIF districts. That is, a TIF district's growth can be attributable to the TIF investment. After all, this is the reason TIF was created – to improve tax base for properties that might otherwise go undeveloped.

Figure 1 shows that the properties that the City of La Crosse designated to be in increments have grown at a healthy clip since 2006. For example, TID #5 along Front and King Streets in downtown La Crosse began with a base value of \$894,800 in 1992 and grew to over \$8.5 million dollars in 2012, an increase of 857% in total property value.

In comparison, while the City of La Crosse has seen substantial growth in its TIF utilization rate, municipalities in La Crosse County taken together are currently at the same level as 2000, despite some variation over the years.<sup>5</sup> The County's TIF utilization rate dropped from 3.4% in 2002 to under 1.6% in 2006. Since then, the rate has climbed back to its 2000 level of 3.3%, after the first TIF districts were established in West Salem in 2007, Bangor in 2008, and Rockland in 2010.

Overall, TIF utilization in the State of Wisconsin has increased slowly but steadily over the years. In 2000, the State of Wisconsin was at 2.2%, climbing to its current rate of 3.1%, a growth rate of 41%. At the same time, the TIF utilization rate decreased slightly during the Great Recession. This was most likely due to the decrease in property values across the state during this time, dropping 8% between 2008 and 2012. Still, the number of active TIF districts created throughout the state grew dramatically after the Wisconsin TIF law was changed in 2004, and roughly 50 new districts have been created on average each year since. As property values continue to recover, TIF utilization rates are expected to continue growing statewide, as they have been in the La Crosse region.

### ***Comparisons within La Crosse County***

Of the 18 municipalities in La Crosse County, there are six with active TIF districts: Bangor, Holmen, Rockland, West Salem, La Crosse, and Onalaska. Other than the City of La Crosse, which has eleven, each of these municipalities only has one active district currently established. See Table 1 for a detailed summary of tax incremental financing for La Crosse County municipalities.

The City of La Crosse's TIF utilization rate of 8.2% in 2012 is the highest within the county, with the next closest being Rockland (2.8%) and West Salem (2.7%). However, looking strictly at the utilization rate ignores how well established districts are faring. West Salem and Rockland, along

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<sup>5</sup> The County TIF utilization rate may be confusing since counties cannot officially create TIF districts, only municipalities can. The county TIF utilization rate referred to here then describes the increment from all municipalities within La Crosse County, divided by all property value within the county.

with the City of La Crosse, are the only municipalities in La Crosse County that have experienced any increment growth since the establishment of their TIF districts. For example, Rockland established its first TIF district in 2010, and has seen a growth of \$717,800 from the base value of \$807,600, for a current value of \$1,525,400. Also, West Salem established a TIF district in 2007 with a base value of \$4.9 million dollars and has seen a growth of nearly \$9 million in the last 5 years to a current value of nearly \$14 million.

On the other hand, the three other La Crosse County municipalities using TIF have fared worse since the Great Recession, with negative property value growth occurring in the districts. For example, the Village of Bangor established its first TIF district in 2008, but it declined from a base value of \$484,800 to a current value of \$474,300 (after a building was demolished as a part of the TIF project). Holmen's TIF district, one of the largest in the state, experienced a drop of \$12,200 from the initial base value of \$2.6 million, although the recent development of the Bluffview Memory Care Center in late 2012 will most likely lead to increment growth once the 2013 TID figures are released.<sup>6</sup> Onalaska, which established an ambitious district in 2010 with an initial base value of \$17 million, has seen a loss of \$1.1 million in the value since that time.

The three TIF districts mentioned above might be cause for some concern. When TIF districts do not experience property value growth, municipalities are still on the hook for any TIF-related project costs, which puts undue fiscal strain on local budgets. Instead of TIF revenue repaying any accrued debt, municipalities are forced to use general funds to repay that debt.<sup>7</sup> Relying on general funds may potentially result in cuts to city services or an increase in the property tax rate, no easy decision for public officials. Overall, the point here is not to call out possible mistakes but rather to caution other communities from thinking TIF has automatic benefits. TIF districts are really long-term tools for growth. They take many years to plan, develop, and ultimately implement. Local, state, or national economic trends may impact their performance – as certainly happened during the Great Recession. Therefore, the potential risks and rewards of each TIF project need to be considered with great scrutiny.

### ***City of La Crosse Compared with Similar Cities***

Drawing a comparison between the City of La Crosse and the rest of the municipalities in La Crosse County can be difficult due to the discrepancy in population size and economic landscape. Therefore, this report analyzes the City of La Crosse with cities in Wisconsin of comparable size, including: Appleton, Eau Claire, Fond du Lac, Janesville, Kenosha, La Crosse, Manitowoc, Oshkosh, Racine, Sheboygan, Waukesha and Wausau.

Appendix A provides a graph of the TIF utilization rates of these cities from 1990 to 2012. In 2012, half of the cities (six) had TIF utilization rate below 3%. The lowest of the group was Fond du Lac, with a TIF utilization rate of 0.9%, followed by Eau Claire with a rate of 1.8%. On the other end of the spectrum, three cities had a rate above 7%, with the highest of the group being Oshkosh (8.4%). The City of La Crosse was next highest in 2012, having a TIF utilization rate of 8.2%.

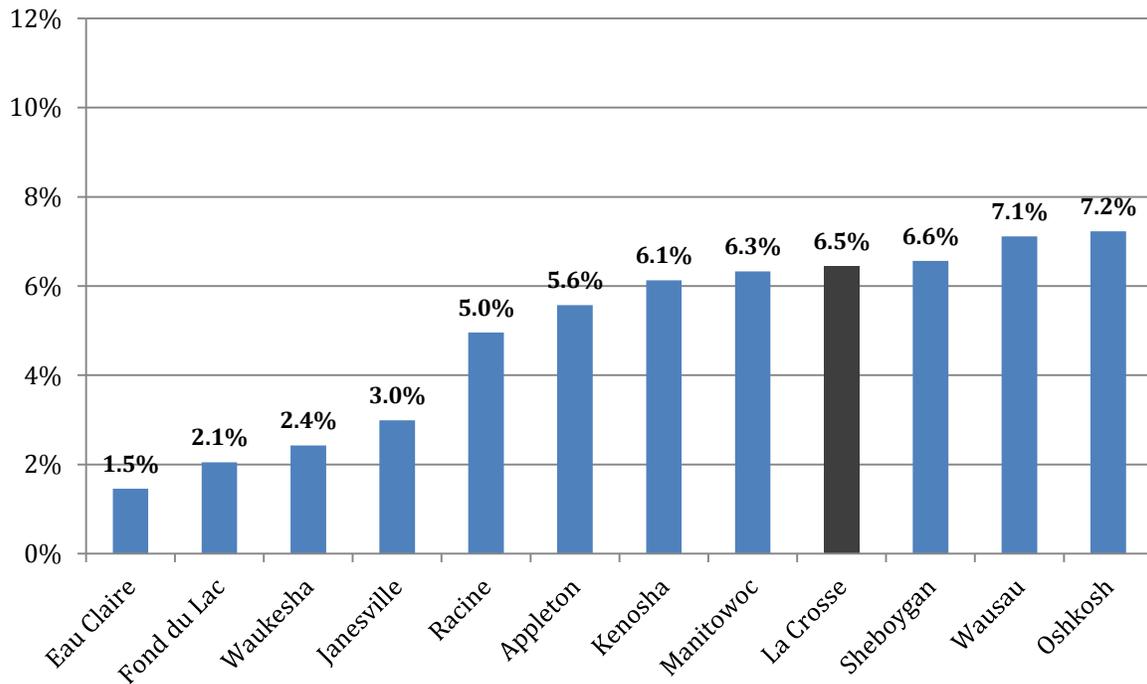
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<sup>6</sup> Holmen's TIF district #2 will most likely increase in 2013, with the opening of the Bluffview Memory Care Center in late 2012, which would not have been assessed in the 2012 figure. At the time of this report, Wisconsin's DOR had not yet released its TID reporting figures for 2013.

<sup>7</sup> Some municipalities have creatively faced this scenario by borrowing from municipal proprietary funds (e.g. water utility).

Because TIF utilization rates fluctuate (sometimes dramatically) over time, this report takes these fluctuations into consideration and presents average TIF utilization rates of these cities, to provide necessary context. Figure 3 presents somewhat of a different story, showing that La Crosse utilizes TIF on par with other communities. In Figure 3, La Crosse is the fourth highest in the group, behind Oshkosh, Wausau, and Sheboygan, as well as marginally higher than Kenosha and Manitowoc.

**Figure 3. Average TIF Utilization Rates of Comparable Wisconsin Cities (2005-2012).**



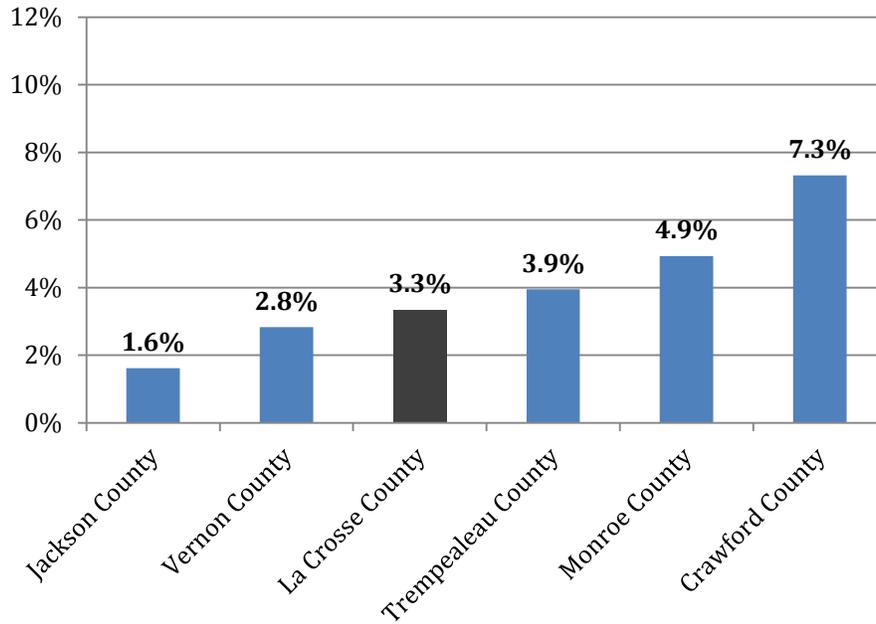
### **County Comparison**

This report also analyzes the TIF utilization rate of La Crosse County as a whole and puts it in perspective with surrounding counties, including Crawford, Jackson, Monroe, Trempealeau, and Vernon Counties (see Figure 4). Across counties, Crawford is highest at 7.3%, with Jackson County the lowest at 1.6%. La Crosse County falls right in the middle of the pack; its TIF utilization rate is 3.3%, falling below Crawford, Monroe and Trempealeau Counties.

Crawford County's TIF utilization rate is substantially higher than the rest, due mostly to the sizable growth in Prairie du Chien's TIF district #6, which was created to help develop a Cabela's Sporting Goods store/distribution center and two other manufacturers.<sup>8</sup> With an original base value of just under one million dollars, the current value of the district is now over \$56 million, a successful and dramatic increase in property value.

<sup>8</sup> <http://www.prairieduchienedc.com/images/docs/PDCH%20TID%20Map.pdf>

**Figure 4. TIF Utilization Rates by County, 2012.**



While Prairie du Chien’s TIF #6 may seem to be evidence of a successful TIF project, there is also some cause for concern. The property value within that increment now accounts for 17.3% of the total property value within Prairie du Chien, and 5.3% of the property value within Crawford County. Bond rating agencies may downgrade municipal bond ratings “if a local government relies too heavily on a few taxpayers for property taxes,” making the municipality “vulnerable to any changes in these taxpayers’ assessments.”<sup>9</sup> Moreover, should Cabela’s experience economic problems, such as it did in Richland, Washington County,<sup>10</sup> repaying the TIF investment could strain the village budget.

Monroe County is also relatively high in terms of TIF utilization, and the Village of Warrens may be perceived as another cautionary tale, highlighting the two sides of TIF. Property values in Warrens’ TID #1 increased dramatically from a base of \$272,500 in 1999 to over \$90 million in 2008 with the development of Three Bears Resort. The original \$18 million municipal investment was well on-track to be repaid in time. However, property values crashed during the Great Recession, and Warrens’ TID #1 fell to \$45 million in 2012, a decrease of 50% from its high in 2008. The Village was required to declare its TIF district “distressed” and extend the lifespan and repayment schedule of its debt past its original 2025 closeout date.<sup>11</sup>

### ***Conclusions & Policy Recommendations***

Tax incremental financing (TIF) is now the most frequently-used economic development tool utilized by Wisconsin local governments, with TIF utilization rates increasing in the State of Wisconsin and the City of La Crosse since 2000.

<sup>9</sup> Nollenberger, Karl. *Evaluating Fiscal Condition*. ICMA: Washington, D.C. 2003, pg. 123.

<sup>10</sup> <http://www.bizjournals.com/milwaukee/print-edition/2012/05/18/tax-shortfalls-linger-over-cabelas.html?page=all>

<sup>11</sup> <http://www.jsonline.com/business/50509682.html>

This report highlights TIF's benefits and drawbacks, or the two sides of TIF, in the greater La Crosse region. On the one hand, TIF can be an incredibly powerful tool to help increase a community's property values, especially for struggling, blighted properties with little prospects for real estate development. On the other hand, TIF is inherently linked with property values. When property values sink, as they did recently during the Great Recession, local governments can find themselves under considerable fiscal strain in repaying debt from TIF project investments. Several local governments in the greater La Crosse area have unfortunately suffered this fate.

This report also outlines some policy recommendations for communities to consider in the future, especially before creating a new TIF district.

First, because TIF is an inherently complex financial mechanism, serious financial scrutiny must be given to all TIF proposals by local communities. Simply hiring a third-party consultant to draw up TIF proposals is not enough; these consultants often use assumptions in property value growth in their projections that may not be accurate. Furthermore, because these proposals require approval from all impacted taxing jurisdictions, County governments should exercise greater financial, technical, and planning assistance to help communities understand the inherent risk associated with TIF deals, especially speculative real estate developments. At the very least, public officials should always consider worst case scenarios (of no property value growth within the TIF district) so that all fiscal situations can be weighed.

Next, given that some TIF projects have not been as successful as others, it is important that municipalities use creative financing options when considering TIF in the future. Many local governments have explored "developer-financed" TIF deals to help mitigate risk. Also known as "reverse TIF," these stipulations limit municipal indebtedness by requiring the developer, instead of the municipality, to accrue project costs/debt. However, TIF revenue would still go towards repaying the developer-financed TIF project.

Revenue guarantees have also been successful, requiring the developer to contribute payments to the municipality in the unfortunate case of a revenue shortfall. For example, if property values do not grow as much as planned, bringing in less property tax revenue from the increment, the developer would make up the difference. This way, the municipality does not need to strain its budget by cutting services or raising its mill rate in order to cover the TIF shortfall.

Lastly, municipalities should strictly adhere to the "but for" and "blight" standards in Wisconsin's TIF statute, even with mixed-use TIF districts. TIF master plans should clearly describe how municipalities have designated "blight," with concrete measures outlined (and perhaps adopted in municipal code). For example, restricting TIF projects for main street *redevelopment*, as opposed to sprawl or greenspace development, will maximize TIF's impact for truly blighted properties in need of governmental assistance. TIF was not originally created to help economic development on agricultural land and open spaces. Minnesota's TIF law, for example, restricts TIF to truly blighted areas where over 70% of the district is already occupied by buildings, streets, utilities and similar structures, and over half of these buildings are "structurally substandard."

In meeting the "but for" standard, TIF master plans should also consider developer profit with and without TIF assistance. Researching developer track records and their previous projects may also be helpful.

**Appendix A: TIF Utilization Rate of Comparable WI Cities, 1990-2012**

