

TIF 101: MADISON

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Sustainable Madison Committee
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What is TIF?

Tax Incremental Finance is:

- Governed by state law (Wis. Stats. 66.1105)
- Administered by municipalities
- Funded by using the entire tax levy on value growth (“tax increment”)
- Implemented within a geographic boundary (“Tax Incremental District” or “TID”)
- Guided by an adopted financial strategy or “Project Plan”

Basic Elements of TIF

- ▣ Tax Increment
- ▣ Tax Incremental District (TID)
 - Boundary
 - Project Plan
- ▣ TIF Law Requirements
 - Types of TIDs (Blighted, Industrial, Mixed Use)
 - Eligible/Ineligible Costs
 - The “But for” Standard
 - Creation Process (about five months)

Basic TIF statutory requirements?

- ▣ 50% of the TID blighted, industrial or mixed-use
- ▣ All costs must meet a “but for” test.
- ▣ Expenditure Period:
 - Blighted: 22 years
 - Industrial: 15 years
 - Mixed Use: 15 years
- ▣ TID Life:
 - Blighted: 27 years
 - Industrial: 20 years
 - Mixed Use: 20 years

An Example of Tax Increment



**Tax
Incremental
District (TID)
Created**



Base Value	\$1,000,000
Annual Tax Levy	\$30,000

<u>Tax Distribution</u>	(Apportioned)
City	\$6,000
County	\$10,000
Schools	\$13,000
Voc/Tech School	\$1,000
Total Levy	\$30,000

New Development	\$15,000,000
New Tax Levy	\$450,000

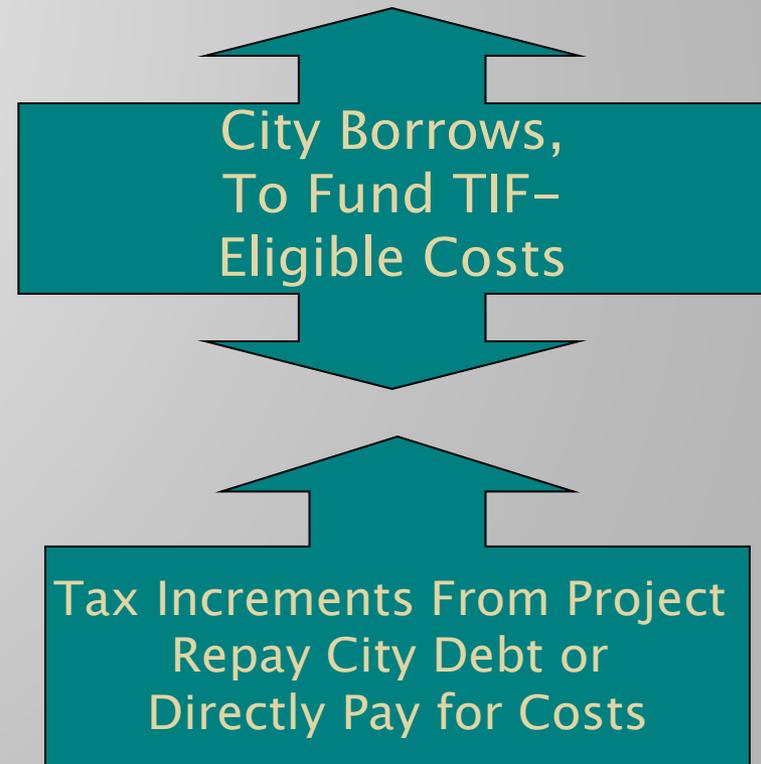
<u>Tax Distribution</u>	(Apportioned)
City	\$6,000
County	\$10,000
Schools	\$13,000
Voc/Tech	\$1,000
Total Levy on Base Value	\$30,000

New Tax Levy	\$450,000
Less: Levy on Base Value	-30,000
Tax Increment	\$420,000

Where do TIF funds come from?

TIF funds may be provided in two ways:

- 1) Spend the tax increment, or;
- 2) Borrow against an estimated stream of tax increments



How is a Tax Incremental District (TID) Created?

- ▣ **TID Determination:** Suitability for blighted area (50%), industrial or mixed-use
- ▣ **TIF Project Plan:** Staff draws a boundary, forecasts growth and project costs
- ▣ **Public Hearing:** The Plan Commission hears public comment
- ▣ **Joint Review Board:** Overlying tax districts approve the TID

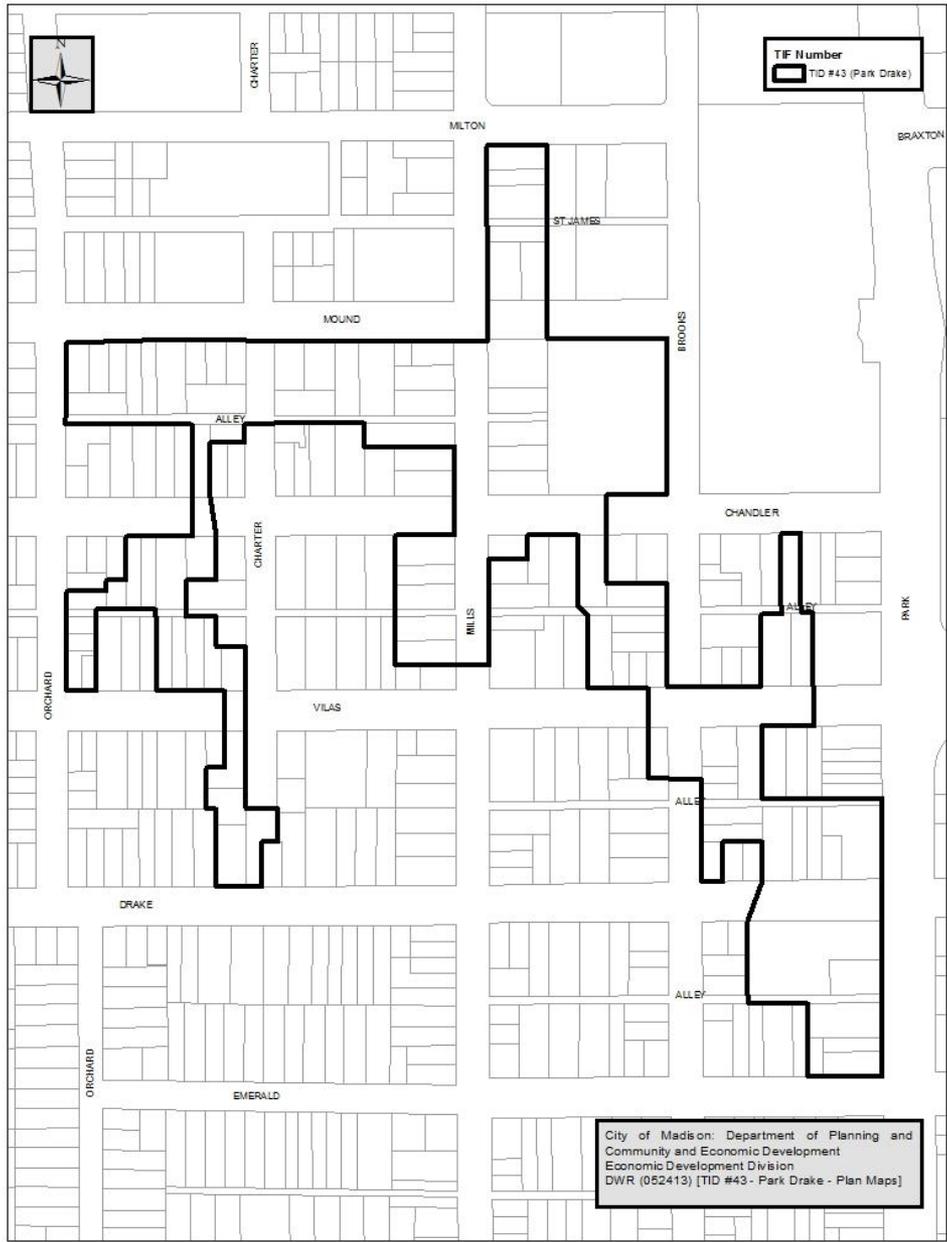
Eligible & Ineligible Project Plan Costs per TIF Law

Eligible Costs

Public Improvements
Streetscape
Land Acquisition
Demolition
Remediation
Construction
TIF Administration Cost
Finance Cost

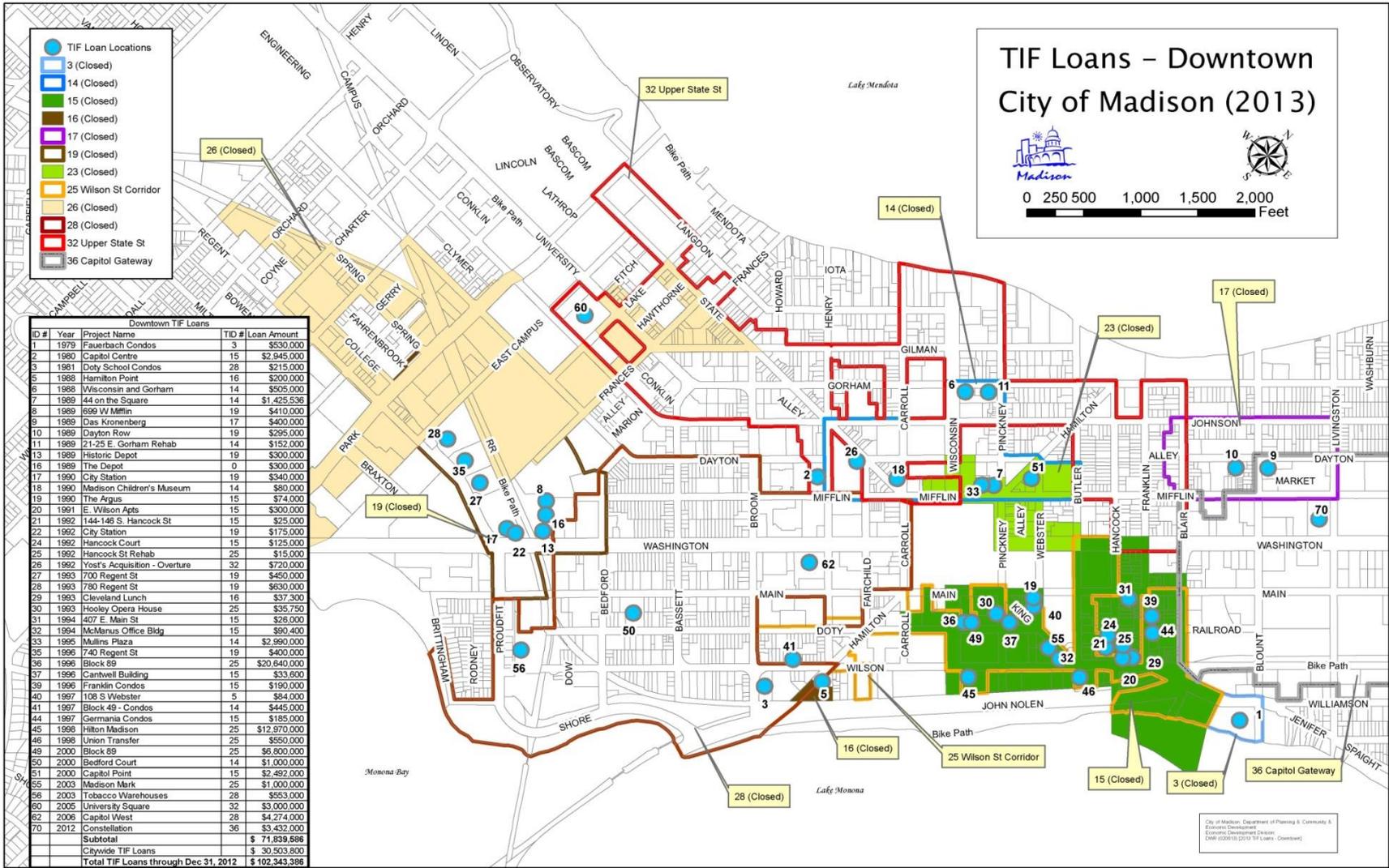
Ineligible Costs

Public Buildings
Regional Parks
City Operating Costs
Assessable Costs



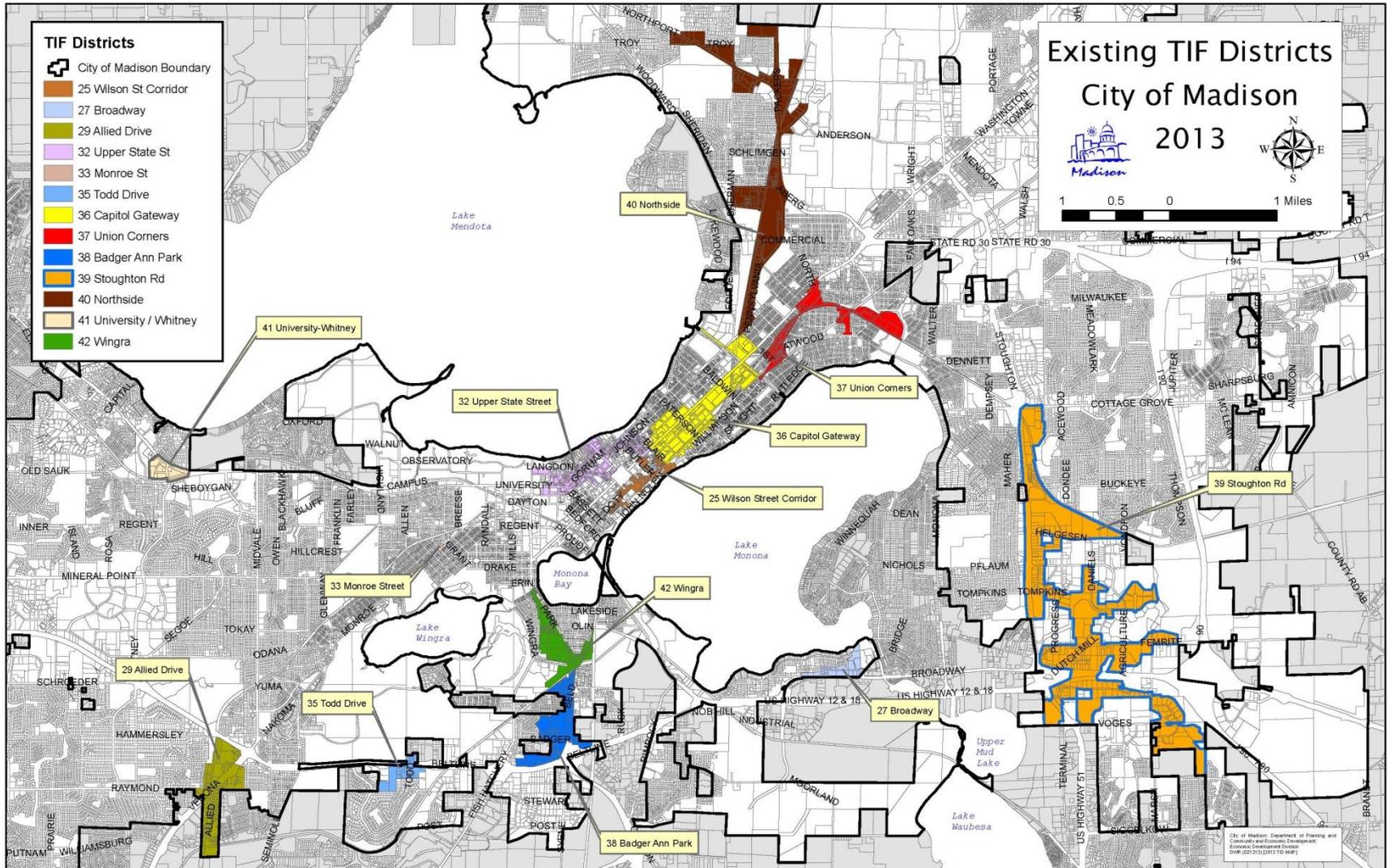
Example: TID #43 Boundary

Existing Downtown TIDs



City of Madison, Department of Planning & Community & Economic Development
 DMR (02/18/2013) TIF Loans - Closed

All Active TIDs



The TIF Process

At the start

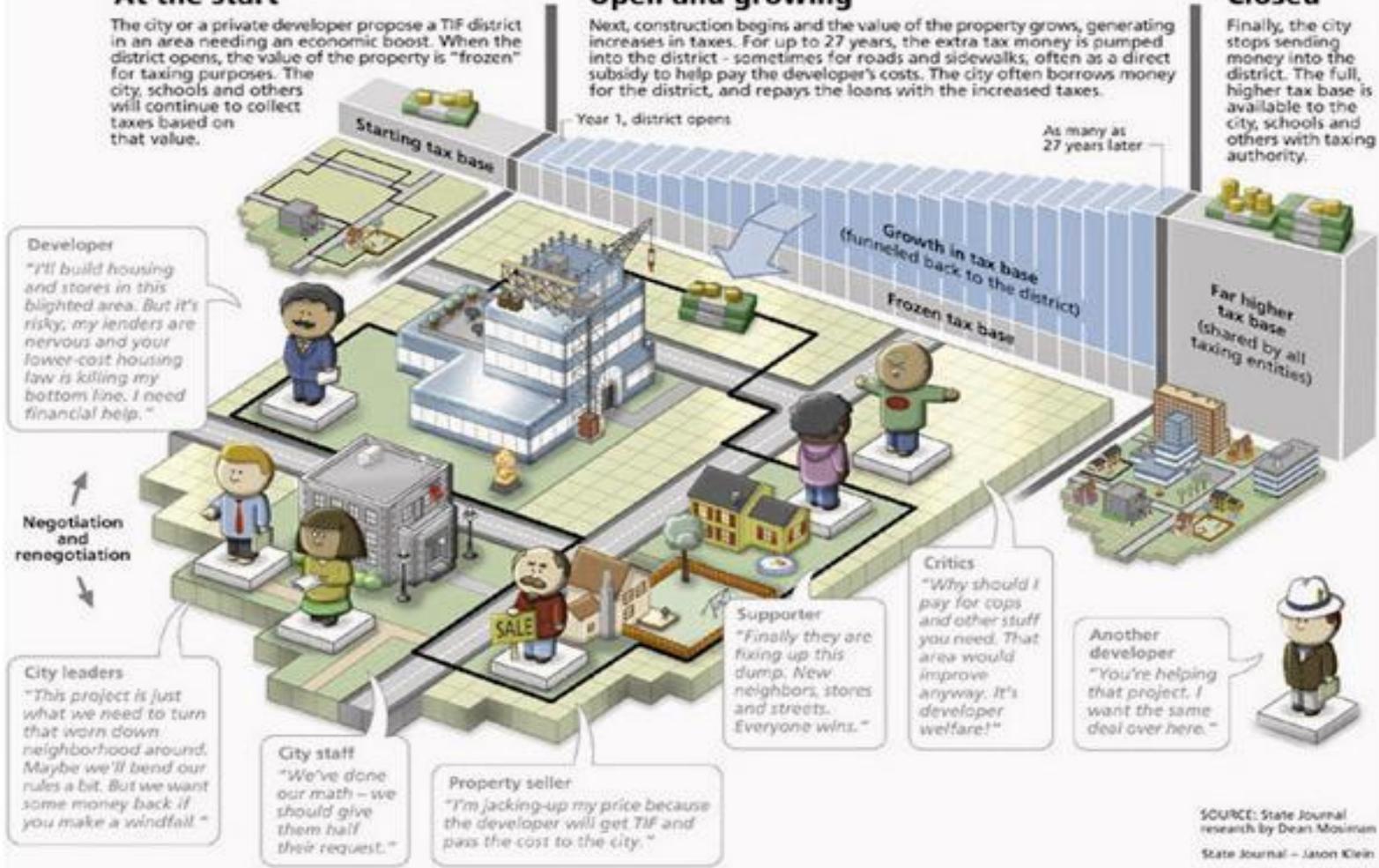
The city or a private developer propose a TIF district in an area needing an economic boost. When the district opens, the value of the property is "frozen" for taxing purposes. The city, schools and others will continue to collect taxes based on that value.

Open and growing

Next, construction begins and the value of the property grows, generating increases in taxes. For up to 27 years, the extra tax money is pumped into the district - sometimes for roads and sidewalks, often as a direct subsidy to help pay the developer's costs. The city often borrows money for the district, and repays the loans with the increased taxes.

Closed

Finally, the city stops sending money into the district. The full, higher tax base is available to the city, schools and others with taxing authority.



SOURCE: State Journal research by Dean Moorman
State Journal - Jason Klein

Conclusion: City of Madison TIF Track Record

- 40 districts created since 1977.
- 16 active districts
- \$102 million of TIF invested in 70 projects
- \$1.3 billion of growth in all active districts.

Questions

More questions contact:

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