



Debunking Common TID and TIF Myths

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Chris Smith

Chris Smith is a Shareholder and co-Chair of our Real Estate Section and a member of the Government Law Group. Chris focuses his practice on real estate development, eminent domain and property tax. He has significant experience in all phases of real estate development with a particular emphasis on drafting and negotiating development agreements, TIF and public-private partnerships.

In addition to working with counties and municipalities on real estate and development issues, Chris has experience conducting investigations, developing intergovernmental agreements, Police and Fire Commission hearings, and transactional matters. He currently serves as City Attorney for South Milwaukee and as Village Attorney for Mount Pleasant.



Brion Winters

Brion Winters is a Shareholder and co-Chair of our Real Estate Section and a member of the Government Law Group. Brion represents businesses, developers, banks and municipalities on a wide variety of issues ranging from drafting custom purchase agreements, condominium documents, development agreements and easements to creating or expanding TIF districts, negotiating and drafting complex lease agreements and advising on various zoning and land use issues.



Sam Schultz

Sam Schultz is a Land Use and Development Advisor in our Real Estate and Government Groups. Sam is an experienced community development professional helping both the public and private sector with short and long-range community planning projects. He has extensive experience with economic development, zoning and land division ordinances, community engagement, and parks and open space projects.

Sam is Certified by the American Institute of Certified Planners (AICP) and CNU-Accredited by The Congress for the New Urbanism. His educational background includes a Master of Urban Planning (2016) from the University of Wisconsin-Milwaukee and an Honors Bachelor of Science in Biological Sciences from Marquette University. He is an Assistant Adjunct Professor in Urban Planning at the University of Wisconsin-Milwaukee.

AGENDA

1. TID/TIF Basics
2. Municipal Incentives
3. Common Objections and Responses

TID/TIF Basics

- Creation of TID to assist in development or redevelopment.
- WHY?
 - Communities seek to encourage responsible, quality economic development and eliminate blight.
 - Developers need to cover costs and earn a reasonable profit for incurring risk.
 - TIF is the most powerful economic development tool in Wisconsin.

Pre-TID Creation

- Agricultural land
- 40 acres
- Assessed at \$500,000
- Annual Tax Revenue: \$5,000
 - Municipality 37%: \$1,850
 - School District 40%: \$2,000
 - County 19%: \$950
 - Tech College 4%: \$200



During Life of TID

- Land is developed
- Assessed at \$10,000,000
- \$9,500,000 of INCREMENT
- Annual Tax Revenue: \$5,000
 - Municipality 37%: \$1,850
 - School District 40%: \$2,000
 - County 19%: \$950
 - Tech College 4%: \$200
- Annual tax revenue from Increment that TID keeps: \$95,000



After TID Closes

- Assessed at \$10,000,000
- Annual Tax Revenue: \$100,000
 - Municipality: \$37,000
 - School District: \$40,000
 - County: \$19,000
 - Tech College 4%: \$200



MUNICIPAL INCENTIVES

Municipal Incentives

- What Is Wanted?
 - Strategic Plan, Comprehensive Plan, Parks and Open Space Plan
- Positioning
 - Acquisition of Land, Eliminate Blight, Update Zoning Code
- Incentives (not just TID)

Municipal Incentives

Incentives Beyond TID

- TID is great, but may not work in some situations
- Land as incentive
- TRIP Agreements
- Agreements to Install Infrastructure in exchange for minimum assessed value guarantee (PITA)
- Grant Agreements
 - How to fund? (Vacant Building Registration, Room Tax, Nuisance Collections)

Municipal Incentives

- TID is a powerful tool
- Benefits of staying flexible – Focus on the goals, not the specific user
 - Have a team ready to deploy (planning, financial advisor, legal)
 - Sometimes a TID is created for a specific project, but think beyond that project
 - Focus on WHAT IS WANTED

Blight Elimination

- Use of condemnation power as a catalyst for redevelopment.
- Wisconsin law allows use of Eminent Domain to eliminate blight.
- This is useful when a property owner has unrealistic expectations as to what the property is worth.
- Often will benefit property owner from a tax perspective.

Tax Incremental Financing

2023 Wisconsin Act 12

- <https://www.revenue.wi.gov/Documents/2023-Act12-Information.pdf>
- <https://www.ehlers-inc.com/alert/wisconsin-act-12-levy-limit-tid-impacts/>
- Greatly reduced TID closure benefit
- Incentivizes early TID closure
- Factors of when to create TID don't really change

COMMON OBJECTIONS AND RESPONSES

EXAMPLE: Headline from this week

SOUTH SUBURBS

63 apartments and commercial space could come to this long-vacant South Milwaukee corner



Erik S. Hanley

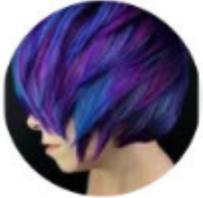
Milwaukee Journal Sentinel

Published 6:03 a.m. CT Feb. 26, 2024 | Updated 6:03 a.m. CT Feb. 26, 2024



The perspective from 10th and Marquette of the proposed Canal Transit Housing project in South Milwaukee. The proposal includes 63 apartments and 5,000 square feet of commercial space. *City Of South Milwaukee / Continuum Architects + Planners / AK Development*

FACEBOOK COMMENT:



I love the idea of developing that property, but I'm not in favor of a TIF. Unless the city will financially benefit once the TIF closes, I do not want my tax dollars benefitting a private entity.

4h Like Reply





Why are you using **OUR TAXES** to
enrich wealthy developers?!?!?

MYTH: TIF Is Enriching Wealthy Developers Using Taxpayer Money

- **Short Answer:** TIF is incentivizing developer **WITH THEIR OWN MONEY.**
- **Facts:**
 - Pay-go method ensures that the only financial assistance paid to developer is coming from the taxes they are paying.
 - Developer gets a rebate from their own taxes.
 - In our example, the new development is creating \$9.5M in new value which equates to \$95K in new tax revenue.
 - Financial assistance should be paid from that \$95K. No other “Taxpayer Money” is used.

A stack of newspapers is shown, with the top one slightly offset to the right. The top newspaper has a large, bold headline. The word "NEWS" is printed at the top of the page, underlined. Below it, the headline reads: "A TID will unfairly saddle taxpayers with the burden to pay for municipal services for the next 20 years."

NEWS

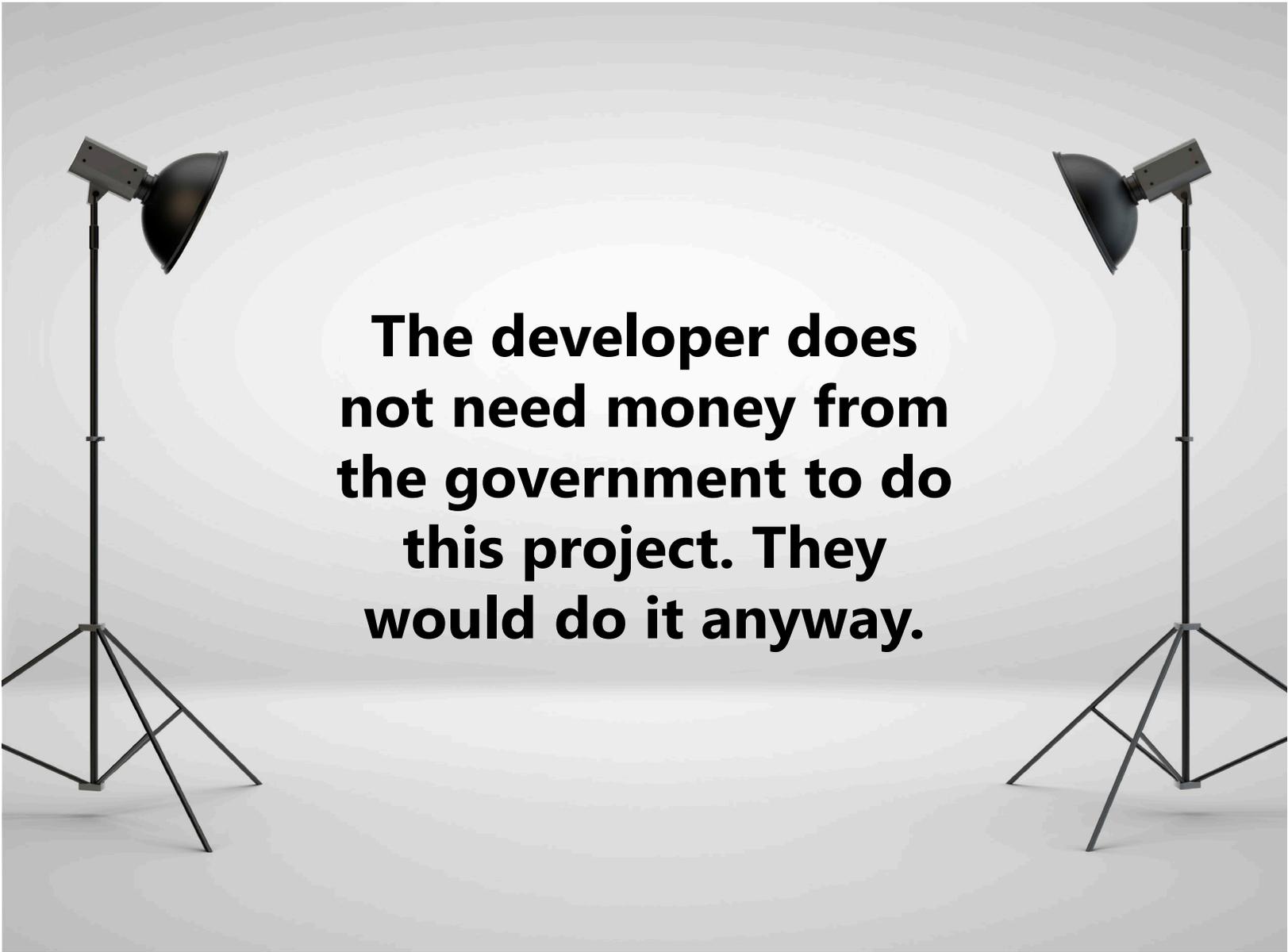
A TID will unfairly saddle taxpayers with the burden to pay for municipal services for the next 20 years.

MYTH: TIF Is Stealing Funds From the Rest of the Municipality

- **SHORT ANSWER:** Municipality continues to collect the same revenue from the TID as it always has.

- **Facts:**
 - Base value is the amount of assessed value prior to the TID creation.

 - Base value tax revenue continues through the life of the TID.

The image features a minimalist studio setup with two professional studio lights on tripods, one on the left and one on the right. The lights are black with large, dark, dome-shaped shades. They are positioned on a light gray floor against a light gray background. In the center, between the two lights, is a large, bold, black text block. The text reads: "The developer does not need money from the government to do this project. They would do it anyway." The text is arranged in five lines, centered horizontally and vertically within the space between the lights.

**The developer does
not need money from
the government to do
this project. They
would do it anyway.**

MYTH: The Developer Does not Need TIF Assistance to Complete the Project

- **SHORT ANSWER:** The “BUT FOR” test obligates the municipality to ensure that but for the TIF assistance, the development would not occur.
- **Facts:**
 - Required per Wis. Stat. 66.1105.
 - Best practice: engage a financial expert to review developer’s financials and render an opinion as to whether “but for” test is satisfied.

A TID **ROBS** the school district and other taxing jurisdictions of revenue for **DECADES!**

THINK OF THE CHILDREN!



MYTH: A TID is a Bad Deal for Other Taxing Jurisdictions

- **SHORT ANSWER:** Each taxing jurisdiction appoints a representative to vote on whether a TID should be created.
- Also:
 - Other taxing jurisdictions continue to capture base value revenue.
 - Development Enrollment → More Residents → Higher

A billboard is shown against a bright blue sky with scattered white clouds. The billboard is a large white rectangle with a dark grey frame. The text on the billboard is in a bold, black, sans-serif font. The billboard is supported by a single dark grey pillar. The background is a clear blue sky with a few wispy white clouds.

TIDS are a drain on municipal services like police, fire and parks. Yet they do not contribute to these expenses.

MYTH: A TID Uses Municipal Services Without Paying for Them

- **SHORT ANSWER:** New developments in a TID pay for the impact on those services through impact fees.
- Facts:
 - New developments within a TID can be charged impact fees to offset the cost.
 - Base value still collected.

**How much
money is wasted
on lawyers,
financial
experts, staff
time and other
consultants in
setting up and
administering
this TID?**



MYTH: Setting up and Administering a TID is Cost Prohibitive

- **SHORT ANSWER:** Most costs of this nature are paid for by the developer.
- Facts:
 - Staff, legal and consultant time should be billed to the developer per your development agreement.
 - General TID administration costs and staff time should be reimbursed by increment.

Messaging: How to Explain Your Project

1. The municipality and other taxing jurisdictions are NOT losing any tax revenue that it had before the project.
2. The only assistance the developer is getting is being paid for with their own money; and/or
3. Any costs the municipality is incurring will be paid back from developer.
4. The project will return increased tax revenue to all taxing jurisdictions once the program is completed.



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Thank you.