



Tax Increment Financing Policy

Development Handbook

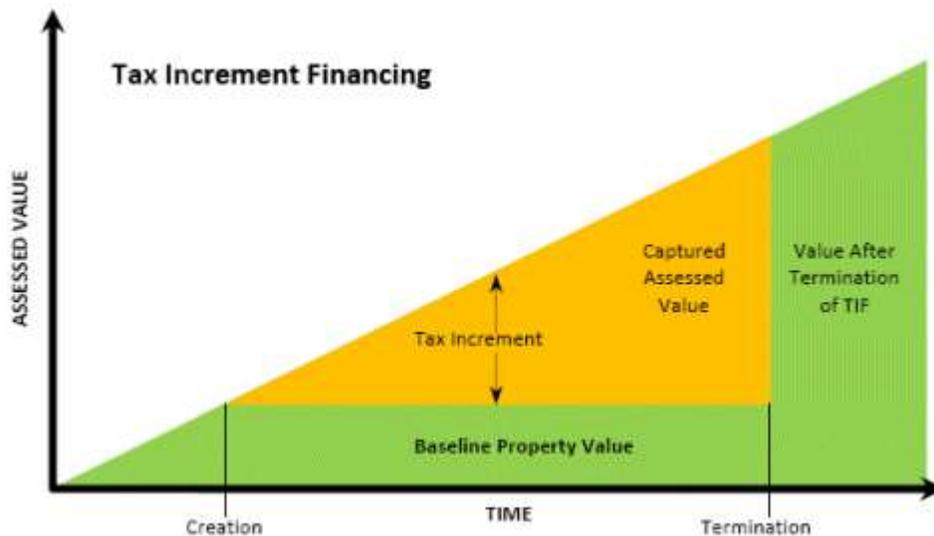
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What is TIF?

Tax Incremental Financing (TIF) is a special funding tool available to local municipalities that spurs economic development which otherwise would not occur. When a Tax Increment District (TID) is created property owners within the district continue to pay the same property tax rates as those outside the district. The difference is that tax collections, over and above the "base value", are placed into a special fund that is used to pay for project costs. Once all costs incurred by the creation of the TID are recouped by the additional tax increment created, the TID is closed and the additional property taxes created are shared by all taxing entities. Closure of the TID could be delayed to allow for a "donation" to another district or delayed projects / amendments. Additionally, unless granted an extension there is a maximum life for the TID. The use of TIF varies from project to project and district to district. In some cases, the City uses TIF to promote redevelopment of older parts of the community. In other cases TIF is used to create industrial parks through land acquisition and construction of infrastructure. In both cases, increased property tax collections are used to pay down debt service associated with project costs. Below is a graph depicting the basic mechanism behind how TIF operates.



Policy

The following guidelines have been created and adopted by the City of Monroe to help direct and evaluate requests for financial assistance through any one of the existing and active TIF districts or future districts. The purpose of this policy is to provide guidelines regarding the City's use of Tax Increment Financing (TIF) for business development incentive purposes.

The goal of the City's use of TIF is to diversify its economic base through the retention and expansion of existing businesses, the redevelopment of the areas that are blighted or in need of redevelopment, the attraction of new industrial users and employment centers, and other projects of special community interest. These goals will help to establish new employment opportunities for City residents and expand the tax base.

These guidelines are intended to provide general direction on the creation/amendment of TIF districts and the use of TIF funds. TIF funds must be used on projects permitted in the project plan for each TIF district. The City recognizes that each development area and project is unique and should be considered on a case-by-case basis. The City Council may choose to deviate from these guidelines if appropriate for projects of special economic or community interest.

Types of TIF Assistance

1. *Traditional TIF Assistance* – Traditional TIF assistance may take the form of direct cash assistance for projects that will result in a development increment. In such cases that the City would use existing funds or newly borrowed proceeds.
2. *"Pay-as-you-go" TIF* – The City will use "pay-as-you-go" financing, also known as developer financing, as a method to help reduce the financial exposure of the City. Under this financing method the developer pays the upfront costs of the project. The City would provide a Municipal Revenue Obligation (MRO) to establish the criteria to fully or partially reimburse the developer using future tax increment.
3. *Land / Infrastructure* – In lieu of or in combination with other incentives, the City may assist development or redevelopment projects by providing City-owned land to a developer at no cost or a reduced cost. Further, the City may provide construction of public infrastructure projects.

Guidelines for TIF Financial Assistance for Private Development Projects

The following are general guidelines for evaluating requests for TIF funded development assistance for major projects:

1. Each project should demonstrate sufficient need for financial assistance. In accordance with State law, the City will not provide TIF assistance unless the proponent can demonstrate that "but for" the use of TIF, the project could not proceed as proposed. The burden is on the requesting party to prove that the proposed project would not be feasible without City assistance.
2. Every other financial alternative should be explored prior to the use of TIF, including equity participation, other federal and state funds, bonds, tax credits, loans, etc.
3. TIF assistance should be utilized as gap financing. The requesting party may be required to provide adequate financial records to demonstrate the financial gap. Examples of information

that may be required would include: detailed Sources & Uses of funds, ten (10) years projections of revenues and expenses for leased properties, details on outside funding and equity. The City may seek to independently corroborate the level of project profitability with and without TIF funding to assure that the returns are within the ranges of the norm for the market.

4. TIF assistance should be limited to the amount necessary to make a project competitive with other similar projects in the Monroe market area.
5. Each project should demonstrate probability of economic success.
6. TIF should not be used to pay for public infrastructure expenditures that are paid by special assessments or other City charges. Non-assessable public infrastructure expenditures may be funded with TIF.
7. Any recipient of TIF assistance will be asked to provide a guarantee or security in a form satisfactory to the City that the project will be developed as proposed.
8. All TIF assisted projects shall be consistent with the goals, objectives, and policies of the City of Monroe Comprehensive Plan and the individual Tax Increment District Project Plan.
9. No assistance will be provided unless the recipient developer first enters into an agreement with the City setting forth the mutual obligations of both parties.

Implementation

The City Administrator or designee shall be responsible for implementing this economic development policy, and will lead in facilitating development projects and coordinating efforts with the private sector. As development projects arise, the City Administrator or designee shall inform the City Council of the project details and request for assistance. The City Council is responsible for granting authority to negotiate the types and levels of development incentives with the potential project developers. The City Council shall have the final authority to review and approve all negotiated agreements in accordance with Wisconsin State Statutes. Meeting statutory requirements, policy guidelines or other criteria listed herein does not guarantee the provision of TIF financial assistance nor does the approval or denial of one project set precedent for approval or denial of another project.

Process to Request TIF Assistance

Step 1 - Preliminary Consultation with City Staff

Prior to giving much thought to potential TIF assistance, it is advised that those interested schedule a meeting to discuss their project and request with City staff.

Prior to attending the meeting, please carefully review the City's TIF policy and other background materials regarding TIF in Monroe

Staff may assist by identifying concurrent processes that may be feasible during a TIF assistance approval process, such as rezoning, site plans, conditional use permits, etc. To the greatest extent possible, staff hopes to accommodate a prompt time-frame by running multiple approvals concurrently.

Step 2 - Submit Letter of Intent

A formal request for TIF assistance is initiated by the City receiving a letter of intent which should include the following details:

- Description of site or building(s) (e.g. current condition, historical overview, size and condition of existing structures, environmental conditions, past uses, etc.)
- Description of proposed use and end users (e.g. industrial, commercial, retail, office, residential for sale or rental, senior housing, etc.)
- Discussion of profitability
- Overview of private-sector financing
- Summary of increment projections
- Total development costs
- Construction information (e.g., size of existing structures to be rehabbed or razed, size of new construction, type of structural and finish materials, delineation of square foot allocation by use, total number and individual square footage of residential units, type of residential units, number of affordable units, number/type of parking spaces, construction phasing plan, etc.)
- Project start and end dates
- Confirmation that project is consistent with goals and objectives of the TIF Project Plan for the District
- Description of public benefits, including job creation
- Amount of TIF assistance requested
- Name of developer and owner
- Statement regarding why TIF is essential and why the "but for" provision will be met*
- Draft project renderings (to the extent possible, renderings could be provided at this stage to better explain the site and proposed uses; additional drawings may be required for the project during later steps in the process)

*Note: In the "but for" discussion, you must clearly describe why TIF is needed to help this project and why the project will not / cannot proceed without such support. Failure to clearly provide the "but for" explanation will delay action on your request. The State of Wisconsin Department of Revenue produces materials on what they expect in terms of the "but for" finding.

Step 3 - Staff and 3rd Party Consultant Review / Drafting of Development Agreement

City staff, together with 3rd party consultants (legal, financial, planning, design), will review the proposal. In most instances, a Development Agreement is the formal document used to memorialize a TIF assistance package. The City requires that the City Attorney will draft any such agreement.

Be advised that the City may require detailed project pro-forma above and beyond what is initially presented in the letter of intent. Further, the City may require financial statements to assist in determining whether the "but for" test is met. To the extent allowed by law, the City may utilize a 3rd party financial advisor to collect, review, and report on the private financial statements in order to protect confidentiality of sensitive applicant data.

The City may bill the applicant for 3rd party consulting fees and/or other related expenses as they pertain to the assistance request review process.

Step 4 - City Council Approval

Final decision making authority on granting TIF assistance rests with the City Council. Typically staff will brief members of the City Council in advance of discussion at a public meeting. It may also be the case that one or two members of the Board will participate in a sub-committee during earlier steps in the

process to offer Council member perspective on potential assistance requests.

Once scheduled for City Council action, approval may be completed in a single meeting. However, the Council has the right to defer action for further study/review or outright deny the request. In order to avoid delay at this step staff will work diligently with the developer to assemble thorough and complete information.

The City Council meets on the first and third Tuesday of the month.

Current City TIF Districts

Tax Increment District #4 – North Industrial Park

- Expenditure period has closed. No development incentives available.

Tax Increment District #5 – West Side Commercial & Honey Creek Industrial District

- Expenditure period has closed. No development incentives available.

Tax Increment District #6 – Near West Side Commercial

- Expenditure period has closed. No development incentives available.

Tax Increment District #7 – Downtown

- No development incentives available per adopted Project Plan

Tax Increment District #8 – North Side City Entrance Corridor

- Expenditure period ends in 2028. Project plan stipulates “Redevelopment Funds” can be used for designated blighted parcels.

Creating New TIF Districts

Any consideration to create a new TIF district within the City of Monroe should begin with a consultation with the City Administrator or designee. Depending on the potential feasibility, additional staff may become involved along with the City's financial advisors. Conceptual discussion with City committee(s) and/or the City Council may be required to provide staff with authorization to proceed with a creation process.

There is no formal application form to request that a new district be considered, nor is there a specified fee. The City reserves the right to re-bill expenses related to district creation to a requesting party with advanced notification. It is not unusual, although not required, for TID creation expenses to be repaid using future increment generated by the newly created TID.

The formal process of creating district is governed by state law. Generally the process takes approximately 90 days - start to finish.

Amending TIF Districts

Any consideration to amend an existing TIF district within the City of Monroe should begin with a consultation with the City Administrator or designee. Depending on the potential feasibility, additional staff may become involved along with the City's financial advisors. Conceptual discussion with City

committee(s) and/or the City Council may be required to provide staff with authorization to proceed with the amendment process.

Request for TIF Assistance Checklist



Instructions/Notes:

Per the City of Monroe's TIF Policy a formal request for TIF assistance is initiated by the City receiving a letter of intent. Below is a checklist of items that are required to be included in the letter of intent package.

City staff, together with 3rd party consultants (legal, financial, planning, design), will review the proposal. Be advised that the City may require detailed project pro-forma above and beyond what is initially presented in the letter of intent. Further, the City may require financial statements to assist in determining whether the "but for" test is met. To the extent allowed by law, the City may utilize a 3rd party financial advisor to collect, review, and report on the private financial statements in order to protect confidentiality of sensitive applicant data.

The City reserves the right to bill the applicant for 3rd party consulting fees and/or other related expenses as they pertain to the assistance request review process.

- Description of site or building(s) (e.g. current condition, historical overview, size and condition of existing structures, environmental conditions, past uses, etc.)
- Description of proposed use and end users (e.g. industrial, commercial, retail, office, residential for sale or rental, senior housing, etc.)
- Discussion of profitability
- Overview of private-sector financing
- Summary of increment projections
- Total development costs
- Construction information (e.g., size of existing structures to be rehabbed or razed, size of new construction, type of structural and finish materials, delineation of square foot allocation by use, total number and individual square footage of residential units, type of residential units, number of affordable units, number/type of parking spaces, construction phasing plan, etc.)
- Project start and end dates
- Confirmation that project is consistent with goals and objectives of the TIF Project Plan for the District
- Description of public benefits, including job creation
- Amount and type of TIF assistance requested
- Name of developer and owner
- Statement regarding why TIF is essential and why the "but for" provision will be met*
- Draft project renderings (to the extent possible, renderings could be provided at this stage to better explain the site and proposed uses; additional drawings may be required for the project during later steps in the process)

Please include this checklist with the letter of intent and application materials. All boxes must be checked as completed.

Individual Submitting Application

Date