

CITY OF EAU CLAIRE
CITY COUNCIL POLICY STATEMENT

General Subject: Administration

Date Issued: 5/10/2016

Revised: 5/10/2016

Special Subject: Tax Increment Financing

Effective Date: 5/10/2016

Statement of Policy

It is declared to be the policy of the City of Eau Claire to encourage and promote the retention, expansion, and attraction of businesses; and to remediate conditions that impair the development or redevelopment of properties within our community, thus providing greater employment opportunities and broadening the City's tax base.

One of the few tools available to the City to implement this declared policy is Tax Increment Financing (TIF). Wisconsin Statutes Chapter 66.1105 empowers cities with the authority to create Tax Incremental Financing Districts (TID's) for the purpose of eliminating blight, rehabilitating or conserving the area, or promoting industrial or mixed-use development. The creation of a TID may only occur after review by the Plan Commission, adoption of a resolution by the City Council, and approval by a Joint Review Board (JRB) comprised of representatives from the overlying taxing jurisdictions. In their approval the JRB must make a positive assertion that, in its judgment, the development would not occur without the creation of the TID.

The City has been and will continue to be conservative in its use of tax increment financing and only use this tool to accomplish the development and redevelopment goals of the community. All proposed uses of tax increment financing will be evaluated against the standards established in this policy and state law. However, nothing in this policy prevents the City Council from authorizing the use of tax increment financing when, in its sole judgment, such use is in the public's interest and consistent with Wisconsin Statutes.

Policy Objectives

1. Use Tax Increment Financing (TIF) responsibly as a tool to encourage new development and redevelopment consistent with the Comprehensive Plan.
2. Provide a range of development incentives, when necessary, to attract new development, retain local employers, stimulate their expansion and facilitate the redevelopment and revitalization of the downtown and other older areas.
3. Provide both existing and new businesses with a consistent set of guidelines for the City's approach to incentive programs.
4. Maximize the effectiveness of the City's limited resources in stimulating new development and redevelopment projects which creates additional employment opportunities and expands the tax base.

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5. Monitor the performance of active TID's to insure their financial success

Implementation

1. The City Manager, through City staff as designated, shall be responsible for implementing this Tax Increment Financing policy.
 - a. As development projects arise, the City Manager, or designated agent, shall have the authority to negotiate the types and level of development incentives needed in accordance with the provisions of this policy.
 - b. The City Manager shall regularly inform the City Council of the progress of negotiations.
2. The City Council shall have the final authority to review and approve all negotiated agreements.

Definitions

1. "Greenfield Development" means development that occurs on land that has not previously been developed where there is no need to demolish or rebuild any existing structures.
2. "Redevelopment" means development that occurs on land where development previously occurred. May involve the adaptive reuse of existing structures or the demolition of existing structures followed by some form of re-use, including new construction.
3. "Target Area" means an area identified as an area for development or redevelopment in the most recently adopted *Land use and Growth Management* chapter of the *Eau Claire Comprehensive Plan*.
4. "Redevelopment Area" means an area, project area, blighted area, or similar defined geographic region created in accordance with Wisconsin Statutes §§ 66.1301, 66.1331, 66.1333, or similar redevelopment laws as amended or added.

Tax Incremental District Creation

Tax Incremental Districts (TID's) will only be created to further the development and redevelopment goals of the City. The City should be proactive in creating TID's to stimulate and facilitate these efforts. The creation of new TID's should be guided by the

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following policies:

1. TID's will be created to further the development and redevelopment goals of the City.
2. TID's may be created within a Redevelopment Area.
3. TID's may be created within an area defined as a Target Area
4. If the creation of a TID is initiated by a request for development assistance, the minimum guaranteed assessed value of the initial project is \$10 million.
5. The creation of all TID's must follow and meet the requirements contained in Wisconsin Statutes § 66.1105

TID Limits

Wisconsin Statutes limit the equalized value of taxable property located in TID's to 12% of the total equalized value of taxable property in the city. In addition, Wisconsin Statutes limit the total debt of a city to 5% of equalized value. Some research has indicated that there appears to be a relationship between a community's debt burden and the failure rate for TID's. That is, communities with a debt burden which exceeds 50% of the statutory limit account for 80% of all distressed TID's.

Although State Statutes allow 12 percent of the taxable equalized value of a community to be located in TID's, the City has set an internal goal which seeks to limit the taxable assessed value in TID's based upon total debt burden. The following table establishes those limits:

<u>Debt as % of Statutory Limit</u>	<u>TID Limit as % of Equalized Value</u>
>= 75%	8%
50% - 74.99%	10%
<50%	12%

Eligible Project Costs

Wisconsin Statutes § 66.1105(2)(f) identify and define project costs that may be paid through the use of Tax Increment Financing. All such project costs may in the proper circumstance benefit the public and further the general welfare of the residents and taxpayers of the City. However, as guidance to the City in lawfully exercising its

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discretionary powers these eligible costs will be placed into the following categories:

1. Public Improvements of General Public Use
 - a. Project costs have a broad community use or application as a whole rather than a particular development or development area. Examples may include property acquisition or demolition, environmental remediation, park development, recreational trails, public parking, public facilities (as permitted by statute), neighborhood revitalization, etc.
 - b. Eligible in both Greenfield development and Redevelopment
2. Public Improvements of Development Specific Use
 - a. Project costs that are public in nature, but focus on a development or a development area. Examples may include property acquisition/demolition, environmental remediation, utility extensions, road construction, street lighting, traffic control devices, street landscaping, etc. These improvements will remain in public ownership or continue to benefit the public regardless of the success of the development.
 - b. Eligible in both Greenfield development and Redevelopment
3. Cash Grants to Owners, Lessees, or Developers
 - a. Loans or other payments made directly to owners, lessees, or developers. Examples include costs for tenant build-out, modifications due to changes in building codes or building occupancy, upgraded interior or exterior building materials or finishes, underground parking, project equity or gap financing, etc. These improvements will likely remain in private ownership.
 - b. Eligible in Redevelopment projects
 - c. Cash grants may be utilized for project costs unique to redevelopment projects (e.g. building demolition, environmental remediation, changes in building codes, etc.) or attributable to aesthetic or other considerations unique to such projects (e.g. upgraded exterior building materials, underground parking, etc.). Other proposed purposes will be considered only in exceptional projects.

Maximum Amount of Assistance

It is the policy of the City of Eau Claire to provide no more than the minimum assistance necessary to make a project financially feasible. Each and every project will be evaluated to determine compliance with this policy. The purpose of this section is to

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establish the maximum assistance amounts and in no way should be construed as establishing an entitlement or minimum.

1. Blight or Rehabilitation TID (maximum life of 27 years)
 - a. Maximum of 13 years of tax increment from the incremental taxes received from development may be allocated to Public Improvements Primarily Benefitting the Development and Cash Grants to Owners, Lessees, or Developers
 - b. Maximum of 2 years of tax increment from the incremental taxes received from development may be allocated to capitalize a development fund.

2. Industrial or Mixed-use TID (maximum life of 20 years)
 - a. Maximum of 8 years of tax increment from the incremental taxes received from development may be allocated to Public Improvements Primarily Benefitting the Development and Cash Grants to Owners, Lessees, or Developers
 - b. Maximum of 2 years of tax increment from the incremental taxes received from development may be allocated to capitalize a development fund.

Minimum Project Size

It is the policy of the City of Eau Claire to use Tax Increment Financing to attract or retain large-scale development and redevelopment projects. Projects located in an existing TID must have, at a minimum, an estimated increase in assessed value of \$5 million to be considered for assistance. Projects with a lesser increase in assessed value may be considered if they further a substantial new development or redevelopment goal of the City. Projects which require the creation of a new TID must have, at a minimum, an estimated increase in assessed value of \$10 million to be considered for assistance. Projects with a lesser increase in assessed value may be considered if they further a substantial new development or redevelopment goal of the City.

Requests for Development Assistance

All requests for development assistance must be submitted in writing to the City of Eau Claire and contain the following information:

1. Name of the project
2. Location of the project

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3. Description of the project
4. Estimated total project costs
5. Estimated assessed value of project
6. Impact on local workforce development and employment opportunities
7. Amount of requested assistance
8. Statement of why public assistance is required
9. Statement of outcome without public assistance
10. Statement of Sources and Uses for construction phase of project
11. 10-year operating pro-forma for project
12. Plan view of proposed project
13. Elevations of all four sides of proposed project

Financial Due Diligence

The City may require some, or all, of the following:

1. Owner/Developer/Tenant financial statements (as applicable)
2. Confirmation of private financing
3. Any subrogation requirements

Development Agreement

Any entity receiving financial assistance will be required to enter into a Development Agreement with the City. All Development Agreements must be approved by the City Council. Development agreements must contain, at a minimum:

1. Guarantee of Assessed Value
2. Guarantee of annual property tax payment
3. Maintenance of taxable status for 50 years
4. Security (e.g. mortgage on project, personal guarantees, or other collateral)