

1.5 TIF Glossary

The first important distinction to draw is between "TIF" and "TID" as it is used in this manual:

- "TIF" – Tax Incremental Financing; a financing tool available to cities, villages and towns to encourage economic development that would not occur without some public assistance.
- "TID" – a Tax Increment District; the contiguous geographical area within a municipality consisting solely of whole units of property as are assessed for general property tax purposes not including railroad rights of way, rivers or highways, or wetlands as defined in Wi. statutes 23.32

Beyond this, there are several important concepts to be defined in the context of TIF

"Annexation" – town territory annexed by a city/village after January 1, 2004 cannot be included in a new TID, or added to an existing TID, unless one of the following applies:

1. at least three years have passed since the annexation occurred,
2. the city/village enters into a cooperative boundary agreement with the town, or
3. the city/village and town enter into another kind of agreement relating to annexation.

In all cases: the city or village that annexed the territory must pledge to pay the town from which the territory was annexed an amount equal to the property taxes levied by the town on that territory at the time of the annexation each year, for 5 years. The town has the authority to enforce such a pledge.

"Amendment" – there are four types of amendments. They can be done separately or simultaneously to any active TID. The first three types require a hearing, resolutions and final approval by the JRB. All amendments must be submitted to DOR for approval, and if the physical boundaries of the TID have changed, the base redetermination fee must be paid. Here each type of amendment is described.

1. "Allocation Amendment" – before all project costs are paid for and not later than the extended maximum life of the TID, a municipality may decide to allocate the excess tax increment from one TID (donor TID) to another TID (recipient TID) to help the recipient pay off debts sooner. There are two kinds of allocation amendment:
 - a. for districts created before October 1, 1995 (1996 for 1st class cities) the donor and recipient must have the same overlying taxing jurisdictions, and the municipality must demonstrate that the donor district has sufficient revenues to pay for all project costs incurred under the project plan and sufficient surplus revenues to pay some of the project costs of the recipient TID. These allocations are done for 5 year periods for up to 10 years total.
 - b. the donor and recipient must have the same overlying taxing jurisdictions. To make the allocation the donor must first have satisfied the current year costs and debt obligations. To use the allocation the recipient TID must either 1) have projects that create, provide or rehabilitate low-cost housing or remediate environmental contamination,

or 2) have been created as a Blight District or a Rehabilitation District. Once designated as a donor, that TID may not receive a maximum life extension.

2. "Project Plan Amendment" – at any time during the life of the TID, the planning commission may adopt an amendment to a project plan that adds projects and eligible project costs. These amendments must be very specific in nature, adding specific projects including costs and description, and an updated pro forma that shows these new projects can be paid for with increment revenue.
3. "Territory Amendment" – the area of a TID may be modified up to four times during the life of a TID, either by adding territory that is served by the public improvements funded by the TID, or by subtracting territory, but TID contiguity must be preserved. In addition, when adding territory, the 12% valuation limit applies, restricting the share of territory that can be designated in TIDs within the municipality.
4. "Extension Amendment" – the municipality may request that the maximum life of a TID be extended through a resolution by the Joint Review Board. If the request includes an independent audit that demonstrates that the extended life is needed to collect sufficient revenue to pay for projects, the JRB must pass the resolution. If no such audit is offered it is left to the discretion of the JRB members to grant or deny the extension. The length of the extension depends on the type of district (see [Criteria Matrix](#) for details).

"Base Value" – the aggregate value, as equalized by DOR, of the real, personal, and non-exempt municipal-owned property located within the TID as of the valuation date.

"Blighted Area" – the TIF Law provides two specific meanings for the designation of blight, neither of which includes any open lands that have been developed only for agricultural purposes:

1. an area in which the structures, buildings or improvements contribute to ill health, transmission of disease, infant mortality, juvenile delinquency, or crime and are detrimental to the public health, safety, morals or welfare, by reason of dilapidation, deterioration, age or obsolescence, inadequate provision for ventilation, light air, sanitation or open spaces, high density population and overcrowding, or the existence of conditions which endanger life or property by fire and other causes.
2. an area which is predominantly open and which consists primarily of an abandoned highway corridor [as defined in s. 66.1333 (2m)(a)], or that consists of land upon which buildings or structures have been demolished and which because of obsolete platting, diversity of ownership, deterioration of structures or of site improvements, or otherwise, substantially impairs or arrests the sound growth of the community.

"Boundary Agreement" – this type of agreement between two municipalities allows territory that was annexed from a town after January 1, 2004 to be included in a TID without three years having passed since the annexation. Section 66.0307 provides for the boundary agreement mentioned in TIF Law, and a summary appears later in this manual.

"Cash Grants" – payments made to owners, lessees or developers of property included in a signed development agreement.

"Class 2 Notice" – the creation or amendment of a TID requires a public hearing that must be noticed according to the rules found in ch. 985 of the Wisconsin Statutes. The important elements of this section include that the public notice be published in the newspaper that is likely to give notice to the persons or place affected by the TID, the insertion must be once in each of two consecutive weeks, and the second publication must be at least seven days before the public hearing which is being noticed. The notice must say when, where and for what purpose the public hearing will be held.

"Creation" – the process of identifying a contiguous geographic area to be targeted for development and submitting an application requesting the Department of Revenue to certify a base value for this area, designating it as a TID.

"Creation Date" – the date that the local governing body adopts the creation resolution for the TID. The creation date indicates when the expenditure period begins for the TID. Only costs related to planning for the TID can be incurred before the creation date.

"Current Value" – the total equalized value of the real and personal property in the TID as of January 1 of the current year certified annually on September 1.

"District Types" – section 66.1105 (4)(gm)6 states that the local legislative body must declare a single type for each district as part of the resolution creating the TID. The four types of TID are "Blighted District", "Rehabilitation or Conservation District", "Industrial District", and "Mixed-use District". The declaration is based on the type of land that makes up 50% of the area in the TID, or which of the four is predominant with regard to the area in the TID.

"Expenditure Period" – the time during which expenses may be incurred for the implementation of the approved project plan and the completion of the projects outlined therein. The current maximum expenditure period for all districts ends five years before the unextended maximum life of the TID.

"Extending TID Life" – see "Extension Amendment", or Section 2.2 TIF Amendment for more details on getting an extension to the maximum life of a TID.

"Industrial Development" – land suitable for industrial sites within the meaning of s. 66.1101. Any real property within a TID that is found to be suitable for industrial sites and is zoned for industrial use must remain zoned for industrial use for the life of the TID.

"Joint Review Board" – a municipality may choose to create a Joint Review Board for each TID it creates, or one Standing Joint Review Board that hears and votes on all TID creation and amendment actions in the municipality. The first organizational meeting (within 14 days of public notice and before the public hearing) must be held to appoint the public member and select a chair whether standing or temporary. This Standing JRB will remain in existence until the municipal governing body chooses to disband it. See Chapter 3 for more information.

"Mixed-use Development" – a development with a mix of residential, commercial, and industrial uses. These types of developments are allowed to include newly-platted residential development, if they do not exceed 35%, by area, of the real property in the TID, according to the following limitations:

TID Expenditure Period

TID Type	Max Exp.
Any before 10/95	22 years
Blight/Rehab after 10/95	22 years
Industrial after 10/95 but before 10/04	18 years
Ind. or Mixed-use after 10/04	15 years

"Newly Platted Residential" – residential developments on a previously undeveloped parcel of land that was not divided for residential lots. This would include subdividing a farm field for housing. TIF law only allows for increment revenue to be spent on newly platted residential development in mixed-use TIDs if one of the following three applies:

- density of the residential housing is at least 3 units per acre.
- residential housing is located in a conservation subdivision, as defined in s. 66.1027(1)(a).
- residential housing is located in a traditional neighborhood development, as defined in 66.1027(1)(c).

"Municipality" – a city, village or town. Schools, counties, technical college districts and special districts are not considered municipal governments; for the purposes of TIF, they are overlying taxing jurisdictions.

"Non-project Costs" – as part of the redevelopment plan, there may be investments that are not eligible for TIF, or that are paid for with revenue other than tax increment revenue – such as a grant. The non-project costs must be detailed in the project plan.

"Overlying Taxing Jurisdiction" – every city, village and town in Wisconsin is also a part of several other taxing jurisdictions such as school districts, county governments, technical college districts and other special districts (such as sanitary or sewer districts or lake rehabilitation districts). A representative from the county, municipality, school and technical college districts serves on the JRB. The tax increment generated by the levies of each of these jurisdictions is turned over to the municipality that manages the TID to pay for the approved project costs.

"Planning Commission" – a plan commission created under s. 62.23, or a board of public land commissioners if no plan commission exists, or the plan committee of the local governing body if no board or commission exists in that municipality. TIF actions designated to be carried out by the planning commission may be designated by ordinance or resolution to be done by the Redevelopment or Community Development Authority or Housing Authority of the municipality.

"Project Costs" – any expenditure made or estimated to be made that can be paid for with tax increment revenue. The state does not make decisions on the eligibility of specific project costs. Each municipality must, in consultation with their legal and accounting advisors, make the decision for themselves as to the eligibility of a project or specific cost based on the guidance provided here and in TIF law.

"Expenditure" – the exchange of money for the delivery of goods or services. No expenditure may be made before the date the project plan is approved by the local governing body, except for costs directly related to planning for the TID. TIF law identifies the following as eligible expenditures:

- Capital costs including, but not limited to, public works; new buildings or structures; demolition, remodeling, repair or reconstruction of existing buildings; environmental remediation; and the clearing of land.
- Financing costs including, but not limited to, interest paid to bond holders, and premiums paid for early redemption of bonds.
- Property assembly costs, which consist of deficit incurred due to the sale or lease of land within a TID for less than its cost to the municipality.

- Professional services including, but not limited to, planning, architectural, engineering, accounting, and legal advice and sales.
- Administrative costs for municipal employees directly related to creating the TID or time spent implementing the TID project plan.
- Relocation costs including, but not limited to, those relocation payments made following condemnation under ss. 32.19 and 32.195.
- Organizational costs related to environmental impact statements and public notices.
- Payments made to a town for property taxes levied on annexed land included in a TID.
- The portion of major infrastructure projects (e.g. water tower, water treatment plant) inside or outside the TID that will serve the land in the TID.
- Removal or containment of lead contamination in buildings or infrastructure that the municipality declares a public health concern.
- Developing newly-platted residential areas in TIDs for which a project plan was approved before 9/30/1995, or in a mixed-use district according to their limits.
- Cash grants if a development agreement is signed.
- Fee to DOR to certify the base value of a TID.

"Ineligible Project Costs" – expenses that are incurred by the city that may not be paid for with the tax increment revenue from the TID. TIF law identifies the following as ineligible project costs:

- Constructing or expanding administrative buildings, police and fire buildings, libraries, schools, recreation and community buildings, unless they were destroyed before January 1, 1997 by a natural disaster.
- Constructing any building or facility if the municipality generally finances similar facilities only with utility user fees.
- General government operating expenses that are unrelated to the planning or implementation of the project plan.
- Cash grants made by the city to owners, lessees, or developers of land within the TID, unless the recipient has signed a development agreement with the municipality, a copy of which must be sent to the JRB or, if dissolved, retained in the official records of the TID.

"Project Plan" – the plan, properly submitted and approved by DOR, for the financial development or redevelopment of a TID, including all properly approved amendments thereto.

"Public Hearing" – as part of creating or amending a TID, the planning commission must hold public hearings to allow the members of the community to voice their opinion or concerns about the proposed TID. These hearings must be noticed in accordance with Class 2 notice requirements, and copies of the project plan must be made available.

"Rehabilitation or Conservation Work" – necessary for the creation of a Rehabilitation and Conservation District, and defined for the purposes of TIF law in s. 66.1337, the Urban Renewal Act. Includes any of the following, but these descriptions do not override the restrictions on project costs defined above:

1. Carrying out plans for a program of voluntary or compulsory repair and rehabilitation of buildings or other improvements.
2. Acquisition of real property and demolition, removal or rehabilitation of buildings and improvements on the property where necessary to eliminate unhealthful,

unsanitary or unsafe conditions, lessen density, reduce traffic hazards, eliminate obsolete or other uses detrimental to the public welfare, to otherwise remove or prevent the spread of blight or deterioration, or to provide land for needed public facilities.

3. Installation, construction or reconstruction of streets, utilities, parks, playgrounds, and other improvements necessary for carrying out the objectives of an urban renewal project.
4. The disposition, for uses in accordance with the objectives of the urban renewal project, of any property acquired in the area of the project.

"Substantial Compliance" – if in the process of creating a TID certain requirements are not met a municipality may submit a written request to the Department of Revenue asking to find substantial compliance. This finding means that despite certain errors, irregularities or informalities of the TIF law, a TID may be created since substantial justice has not been affected. This power allows the DOR more flexibility in reviewing and approving TIDs.

"Tax Base" – the total of all equalized real and personal property in an entire municipality or taxing jurisdiction on which property taxes are levied.

"Tax Increment" – the taxes levied by all overlying taxing jurisdictions on the value between the base value and the current value of the TID, also known as the value increment. These taxes are sent to the municipality who operates the TID, and used to pay for the approved project costs laid out in the project plan.

"Taxable Property" – all the real and personal property located in a TID.

"Termination" – the process of notifying DOR of the termination and filing the appropriate audit materials with DOR and the overlying taxing jurisdictions. This process can be initiated by the municipality before all project costs are paid off, at which time those debts become the obligation of the municipality. Once tax increments are collected in excess of approved project costs, or the maximum life is reached, termination is required. See 2.4 TIF Termination for more information.

"Value Increment" – the difference in value between the base value and the current value. This is the amount of property value that can be attributed to the TIF investment, and as such this is the portion of the tax base that is used to generate the tax increment that pays for the investment.

"Valuation Date" – the January 1 of the year the TID is created or amended. If the creation date is between Oct 1, 2004 and Sept 30, 2005, the valuation date is Jan 1, 2005. If the creation date is between Oct 1, 2005 and Sept 30, 2006, the valuation date is Jan 1, 2006.