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Title: Tax Increment District (TID) creation & Tax Increment Financing (TIF) assistance	
Authority: Village Board	
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Introduction

The purpose of this policy is to guide the Village’s review of requests for tax increment district (TID) creation and review of tax increment financing (TIF) or other requests for public assistance. The Village’s intent is to minimize its risk from a project and leverage public dollars to maximize investment, resulting in a positive impact for the community. [Chapter 66](#) of the Wisconsin Statutes gives municipalities the authority to create [tax increment financing \(TIF\) districts](#) to encourage desirable private development or redevelopment that would not occur in the manner, at the values, or within the timeframe desired by the Village without financial incentives. Public input and transparency will be encouraged and opportunities will be made available in each application phase through the village’s website, Village Manager’s Memo and regular public notices for the CDA and Village Board meetings. Applicants are required to provide notice and public outreach to neighborhoods and impacted stakeholders prior to the review of their application by the CDA and Village Board at each application phase. The applicant shall submit a public outreach plan with each application for review that complements Village transparency efforts. The CDA and Village Board will look favorably upon applications that include demonstration of public support for the project.

Section 1: Public Assistance Application Process

Phase I: Compatibility with Village Requirements/Priorities and Financial Review

1. Parties seeking public financial assistance shall communicate their interest and lay out their project to the Village Manager and Director of Planning & Development staff before an official application is submitted. Staff will conduct a preliminary review of its consistency with Village plans, zoning, priorities and public assistance goals before the submission of an official application.
2. If the proposed project appears to be consistent with the Village’s plans, priorities and goals, staff will provide the party seeking public financial assistance with an official application for public financial assistance. If the proposed project is not consistent with the Village’s current zoning requirements, the party seeking assistance shall elect whether to proceed with completion of the official application. If the party proceeds, it acknowledges that proceeding with a public financial application does not grant an exception to any zoning requirements, nor guarantee receipt of assistance.
3. Parties seeking public financial assistance shall submit the information required in an official application for public financial assistance to the Village Manager’s Office. This application must be accompanied by a non-refundable fee of \$5,500. Staff will then engage in the financial viability and economic impact of the proposed project based on the information included in the application with the Village’s financial advisor and Village engineer if applicable.
4. Public input and transparency will be encouraged and opportunities will be made available in each application phase through the village’s website, Village Manager’s Memo and regular

public notices for the CDA and Village Board meetings. Applicants are required to provide notice and public outreach to neighborhoods and impacted stakeholders prior to the review of their application by the CDA and Village Board at each application phase. The applicant shall submit a public outreach plan with each application for review that complement Village transparency efforts.

5. At the conclusion of the initial analysis, the CDA will be provided with results of the review of the project's compatibility with plans, zoning, priorities, public assistance goals and need for financial analysis. The CDA will provide a recommendation on the application and supporting results to the Village Board. Included within the recommendation will be a statement of the public benefit(s) of the project and how the Village will benefit from contributing public support.

Phase 2: Developer Review and Development Agreement Terms

1. The Village Board will review the application and provide direction on whether the project warrants further exploration, and if so, staff will collect an additional fee of \$8,000 to compensate for consultant and staff time required to complete a full financial analysis and presentation of the proposed public financial assistance. In addition, the applicant will pay for all third-party costs associated with the review of the application, TID creation and assistance. If a TIF district is created, the fee and third-party costs may be refunded by future revenues of the TIF district. If the proposed project is not consistent with the zoning requirements, the party seeking assistance shall elect whether to proceed with completion of the official application. If the party proceeds, it acknowledges that proceeding with a TIF application does not grant an exception to any zoning requirements.
2. Public input and transparency will be encouraged and opportunities will be made available in each application phase through the village's website, Village Manager's Memo and regular public notices for the CDA and Village Board meetings. Applicants are required to provide notice and public outreach to neighborhoods and impacted stakeholders prior to the review of their application by the CDA and Village Board at each application phase. The applicant shall submit a public outreach plan with each application for review that complement Village transparency efforts.
3. Staff shall analyze each public financial assistance application and provide analysis to the CDA for review and consideration with plans, zoning, priorities, TIF goals and financial analysis. The CDA will provide a recommendation on the application and development agreement terms to the Village Board to be considered by the Village of Shorewood for possible TID creation and approval. Included within the recommendation will be a statement of the public benefit(s) of the project and how the Village will benefit from contributing public support.

Phase 3: TIF Project Plan & Feasibility

1. Staff will proceed with the [TIF consideration process](#), including TID project plan and feasibility study, and any related zoning requests as outlined in Wisconsin State Statutes. The applicant will pay for all third-party costs associated with the review of the application, TID creation and assistance. If a TIF district is created, the fee and third party costs may be refunded by future revenues of the TIF district.
2. Public input and transparency will be encouraged and opportunities will be made available in each application phase through the village's website, Village Manager's Memo and regular public notices for the CDA and Village Board meetings. Applicants are required to provide notice and public outreach to neighborhoods and impacted stakeholders prior to the review of their

application by the CDA and Village Board at each application phase. The applicant shall submit a public outreach plan with each application for review that complement Village transparency efforts.

Section 2: Requirements & Evaluation Criteria

All requests for TID creation and TIF assistance must comply with Wisconsin State Statutes. In accordance with Wisconsin's TIF laws, the Village and a [Joint Review Board](#) must consider the following two criteria in evaluating the potential creation or amendment of a TID:

1. Whether the development expected in the TID would occur without the use of tax increment financing.
2. Whether the benefits of the proposal outweigh the anticipated tax increments to be paid to the owners of property in the overlying taxing districts.

In order to meet the first criterion, known as the "but for" test, it must be demonstrated that development(s) would not take place at the desired level or timeframe without TID creation and TIF assistance. Development that would be likely to proceed without receiving TIF funds will generally not be eligible for assistance.

The following criteria will also be used in evaluating requests. Other factors may be considered as well on a project-by-project basis.

1. Does the project conform to existing plans and zoning?
2. How does the project increase and improve the Village's tax base?
3. What portion of the tax increment is applied to the project compared to total TIF district?
4. What is the economic impact of the project including job creation and retention?
5. Does the project support the Village's housing and sustainability goals?
6. What impact would the project have on current Village residents and businesses?
7. What are the qualifications of the developer and the developer team?
8. What level of private equity and financing is included in the project budget?
9. Does the project rely on reasonable assumptions of real property value increases?
10. Would the proposed project assist in achieving other policy goals established by the Village?

The Village will approve or reject requests on a case-by-case basis, taking into consideration established policies, project criteria, and the project's demonstrated public purpose. TID creation and amendment also requires approval of the Joint Review Board. Meeting all criteria will not guarantee approval of requested TID creation or financial assistance. The Village reserves the right to approve or deny any request at its sole discretion.

Section 3: TIF Goals

Shorewood's goals for the use of TIF include the following in no priority order:

1. Enhancing or diversifying the Village's economic and property tax base in addition to one or more of the goals listed below. TID creation and assistance will not proceed based upon an increase in tax base alone.
2. Encouraging redevelopment of under-utilized properties.
3. Fostering the creation and retention of jobs that offer stable employment and attractive wages and benefits.

4. Providing housing opportunities that are consistent with identified housing needs. See [2020 Housing Study](#) recommendations.
5. Provide land use opportunities that are consistent with the [Comprehensive Plan](#).
6. Encouraging urban in-fill projects consistent with the Village's Comprehensive Plan.
7. Assisting in the revitalization of historic, architecturally significant or blighted properties.
8. Create a range of housing types and specifically encourage the development of workforce and affordable housing, especially housing that is for those earning less than the [Milwaukee-Waukesha-West Allis area median income](#) HUD calculation.
9. Positively affect current and future infrastructure development, including improvements to the Village's infrastructure, transportation/pedestrian accommodations, storm water, sanitary sewer and water utilities, improve the quality and livability of neighborhoods, and take into account environmental impact, equity, diversity and inclusion.
10. Accomplishing other public policy goals, such as energy conservation, the promotion of quality urban or architectural design, public access and open space.

Section 4: Policy Statements

1. TIF assistance will not be considered for market rate housing, unless the project incorporates affordable housing.
2. The Village will provide assistance primarily through developer-financed methods to minimize the risk of public participation whenever possible.
3. The Village will consider TIF requests only after determining that other possible available funding sources are not sufficient to finance the project and provide an adequate rate of return for the project to move forward.
4. The developer will consider other financing options, prior to application.
5. The Village will consider up front project financing through the sale of bonds or other internal sources on a case-by-case basis when other methods including developer-financed are deemed infeasible, will limit TIF to the highest priority projects as determined by the Village Board, and will require specific and measurable interim milestones prior to disbursement of funds.
6. The Village will consider TIF only for projects with demonstrated market demand.
7. The Village will not provide mortgage guarantees.
8. The Village will require that a developer provide guarantees to the Village to cover any shortfall in costs not paid by increment should direct TIF assistance be provided. These may include construction guarantees, letters of credit, personal or corporate guarantees and/or minimum payment agreements. These requirements may not apply if the project is a "Pay As You Go" agreement, however the Village will still seek to ensure that there are provisions in place to allow for timely development of the site. No direct TIF assistance will be provided without formal written development agreement.
9. The Village will not provide TIF assistance to developers that cannot adequately demonstrate an ability to complete the proposed project on time and on budget.
10. The Village will only provide TIF assistance for tax-exempt uses where those uses are subject to payments in lieu of taxes (known as PILOTS).
11. The following financial criteria must be met to be considered for TIF assistance.
 - a. Equity Requirement. Developers must provide a minimum 15% equity of total project costs. Projects that exceed the 15% equity requirement will be looked upon favorably by the Village. Equity is defined as cash or un-leveraged value in land or prepaid costs attributable to the project. TIF shall not be used to supplant cash equity.

- b. Payback Period. 20-year maximum payback period. Preference will be given to projects with payback periods of 10 years or under.
 - c. TIF Cap. The total amount of TIF assistance should not exceed 15% of total project costs and will not exceed the level of private equity investment. This limitation may be waived upon recommendation of the CDA and approval by the Board.
Taxable Increase. The project should result in an increase in taxable valuation of at least 20% upon completion of project construction and stabilization.
 - d. Self-Supporting Projects. Each project requesting TIF assistance should generate sufficient tax increment to cover the requested TIF assistance and a portion of any public infrastructure costs within the district. No increment from other private development projects within the district may be used to supplement another project's inability to generate sufficient tax increment to cover project costs.
 - e. Property Assembly Cap. TIF assistance for property assembly costs will not be provided in an amount exceeding 10% of the fair market value of the property. The fair market value will be determined by an independent appraiser contracted by the Village with cost of appraisal paid for by developer. This limitation may be waived upon recommendation of the CDA and approval by the Board.
 - f. Internal Rate of Return. The amount of assistance provided to a developer will be limited to the amount necessary to provide the developer a reasonable rate of return on investment in the project and the subject site. A developer's return on equity, return on cost or internal rate of return will be based on current market conditions as determined by the Village or Village's financial advisor and is expected to fall in a general range of 8-16%. In no case shall the internal rate of return exceed 18%.
11. All TIF assistance shall include a "claw-back" provision to verify project estimates. When the actual costs are below original estimates, the Village will share in the savings and where the return significantly exceeds initial estimates, it will reduce or require the repayment of the amount of assistance provided. The claw-back mandates a developer to provide the Village, or its financial advisor, with evidence of its annualized cumulative internal rate of return on the investment (IRR), other revenue, or applicable criteria (ie. longevity or job creation commitments) at specified periods of time after project completion and upon sale. In the case of IRR, it shall be calculated with equity, revenues, and expenses in accordance with generally accepted accounting principles. If the IRR is exceeded, there will be a return or reduction of public subsidy in the amount that was in excess of the established maximum IRR.
12. All development agreements shall establish a maximum assessed value whereby the property owner shall agree not to protest to the Board of Review or Circuit Court the Assessor's determination of the property value for the properties for which the grant is requested during the life of the TID.

Section 5: Hiring and Contracting for TIF Funded Projects Goals

Developer receiving over \$1 million in TIF assistance must submit a plan complying with the Village of Shorewood's goals of utilizing [Targeted Business Enterprise \(TBE\) vendors](#) for 25% of the construction and 17% professional services for the approved development. Firms that qualify as a TBE include Disadvantage Business Enterprise (DBE) firms certified by and listed in the Wisconsin Unified Certification Program (UCP) directory, Minority Business Enterprise (MBE) and Women Business Enterprise (WBE) firms certified by the State of Wisconsin Department of Administration (DOA) and listed in the directory, Small Business Enterprise (SBE) firms certified by Milwaukee County and listed in the Milwaukee County directory, and SBE firms that meet the Small Business Administration (SBA) size

standards and are listed in the SAM directory. A firm certified in another state must be certified by the Wisconsin Unified Certification Program (UCP) or State of Wisconsin DOA prior to submission of bid.

The participation goal is based upon the total dollar value of the development less reimbursable items. Participation must be maintained throughout the contract, including any fee increases. Compliance plans shall be submitted and reviewed in accordance with development agreement requirements. If compliance is not possible, the developer is required to document the reasons and justifications for review and approval by the Village Board in advance of development agreement approval.

Section 6: Sustainability Goals

Developer seeking over \$1 million in TIF assistance for a project shall prepare a report on the estimated cost of including solar power and other sustainable features and submit this report with the Phase II application. This report shall also include an estimate of the amount of time that would be required to recover the cost of the solar-power features through energy-cost savings. Commercial Shorewood projects are eligible for the Property Assessed Clean Energy (PACE) program through [PACE Wisconsin](#).

The Village of Shorewood desires to encourage energy efficiency. A building with an Energy Star score of 75 or higher indicates that it performs better than at least 75 percent of similar buildings nationwide. The EPA's Energy Star [Target Finder](#) is the no-cost online tool that enables architects and building owners to set energy targets and receive an Energy Star performance score for projects during the design process. Within two years of temporary or permanent occupancy, the developer shall submit for Energy Star certification through [Portfolio Manager](#) with the goal of obtaining a score of 75 for the development.