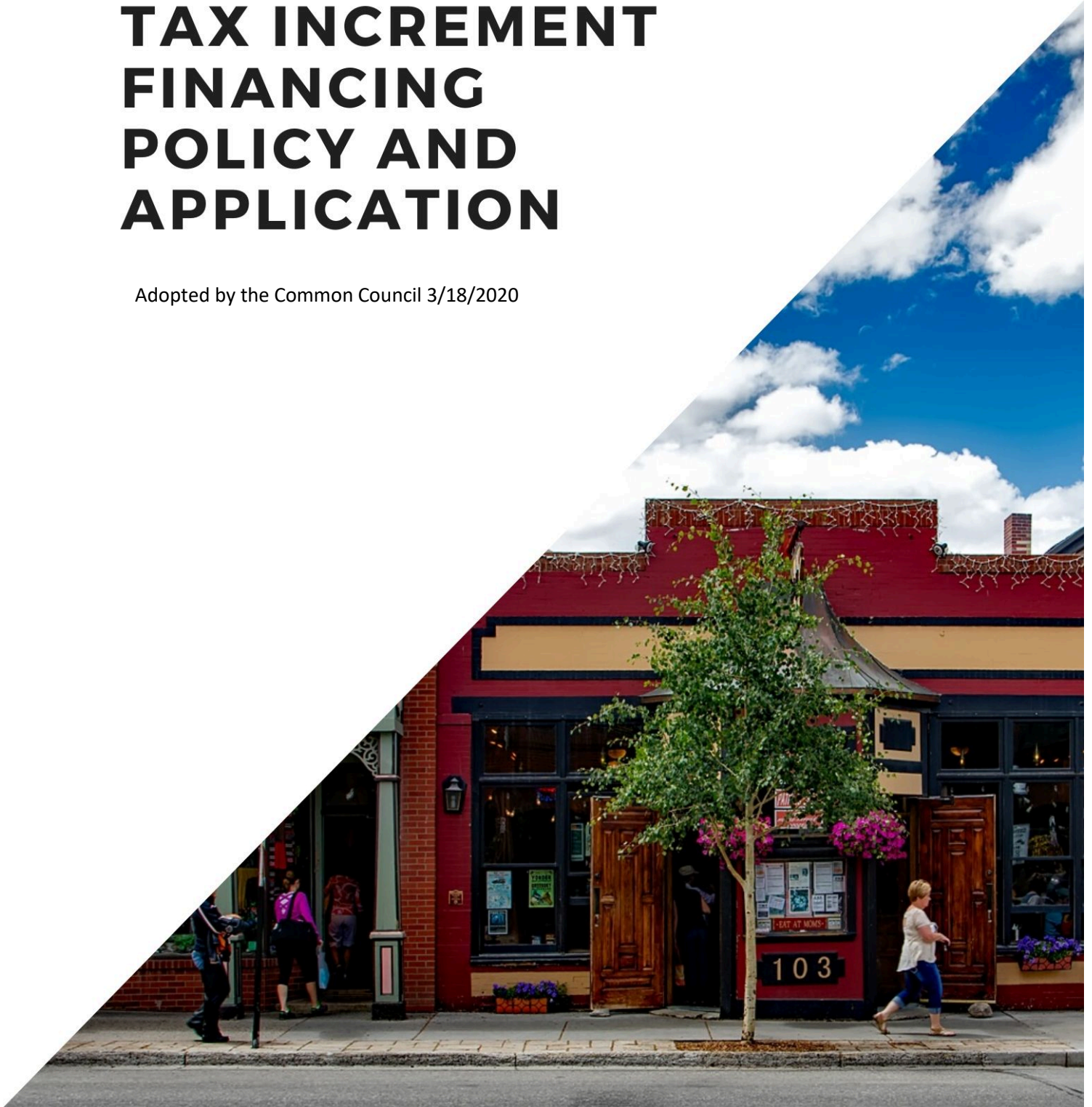

CITY OF NEW HOLSTEIN

**TAX INCREMENT
FINANCING
POLICY AND
APPLICATION**

Adopted by the Common Council 3/18/2020



What is TIF?

Tax Increment 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. 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, the City uses TIF 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. The following outlines the City’s policy regarding TIF.

PURPOSE

The purpose of this Policy is to articulate to existing or potential businesses the City of New Holstein’s desire to promote economic development that is consistent with the City’s Comprehensive Plan and provides a community benefit that will ultimately be shared by all taxing entities (City, School, Technical College, County, and State) impacted through the establishment of Tax Increment District (TID).

Notwithstanding compliance with any or all of the guidelines herein, the provision of TIF assistance is a policy choice to be evaluated on a case-by-case basis by the Common Council. The burden of establishing the public value of TIF shall be placed upon the applicant and the application must substantially meet the criteria contained herein. City Administration reserves the right to bring any TIF proposal forward for Council consideration.

Meeting statutory requirement, 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.

TIF Authority

The authority and regulations for TIF and the establishment of TID are found in Wis. Stat. 66.1105. The City of New Holstein reserves the right to be more restrictive than provided under the statutes.

Basic Provisions

As a matter of policy, the City of New Holstein will consider using TIF to assist private development in those circumstances where the proposed private project shows a demonstrated financial gap and that the financial assistance request is the minimum necessary to make the project feasible. The developer

is expected to have exhausted every other financial alternative(s) prior to requesting the use of TIF, including equity participation, other federal and state funds, bonds, tax credits, loans, etc.

It is the intent of the City to provide the minimum amount of TIF assistance to make the project viable and not solely to broaden a developer's profit margin on the project. The potential developer shall provide sufficient evidence of efforts to gain financial assistance from other sources, and to show that those attempts have been exhausted. The City will then perform an independent analysis of the information.

In requesting TIF assistance, the developer must demonstrate that there will be a substantial and significant public benefit to the community by eliminating blight, strengthening the economic and employment base of the City, positively impacting surrounding neighborhoods, increasing property values and the tax base, creating new and retaining existing jobs, and implementing the Comprehensive Plan.

Each project and location is unique and therefore every proposal shall be evaluated on its individual merit, including its potential impact on city service levels, its overall contribution to the economy and its consistency with the Comprehensive Plan, Strategic Plan or other community planning documents. Each project must demonstrate probability of financial success.

“BUT FOR” TIF

The fundamental principle and that which the City must determine through information provided by the developer is that the project would not occur “but for” the assistance provided through TIF. The burden is on the developer to make this case to the City and not the City to make this case for the developer. Should this “but for” determination not be made, TIF for the project cannot be approved.

TIF Objectives

The City will consider utilizing TIF to meet the following basic objectives:

1. Stimulate and continued revitalization of the community by:
 - a. Improving infrastructures;
 - b. Creating a variety of housing opportunities;
 - c. Preventing or eliminating slum and blighting conditions;
 - d. Constructing mixed-use developments;
 - e. Attracting desirable businesses and retaining existing businesses;
 - f. Encouraging development projects that enhance the streetscape and pedestrian experience and improve the vitality of the community
2. Promote efficient usage of land through redevelopment of blighted areas.
3. Strengthen the economic base of the City and support Economic Development.
4. Stabilize and upgrade targeted neighborhoods.
5. Create and retain family supporting jobs in the City.
6. Increase property values and tax revenues.
7. Leveraging the maximum amount of non-city funds into a development and back into the community.

What Development is Eligible?

The type of development that the City will consider TIF funding includes:

1. Business development (attraction, retention, expansion). TIF assistance will be evaluated on its impact on existing local markets.
2. Mixed-use developments that creatively integrate commercial and retail projects into a residential development.
3. Revitalization of historically significant or deteriorated buildings.
4. Projects that promote office and retail development.
5. Projects that promote neighborhood stabilization or revitalization.
6. Projects that promote industrial development.
7. Projects consistent with approved TIF Project Plans.
8. Projects that involve environmental clean-up, removal of slum and blighting conditions.
9. Projects that contribute to the implementation of other public policies, as adopted by the city such as promotion of high-quality architectural design, energy conservation (i.e. LEED, Energy Star, etc.), green infrastructure, etc.

What Development is Ineligible?

The City will not favor use of TIF funding to help support the following types of development.

1. Speculative office development (projects that have no secured tenants).
2. Relocation of offices, retail and/or commercial uses for purposes other than retaining or substantially expanding the business.
3. Office and retail development outside of the city.
4. Standalone residential development projects unless limited by site and environmental conditions beyond which make the project financially infeasible.
5. Projects not consistent with the Comprehensive Plan.

Eligible Costs

TIF eligible expenditures are defined by Wis. Stats. 66.1105(2)(e), which the City of New Holstein may further limit on a project by project basis. The following are typical eligible costs.

1. Capital costs, including actual costs of;
2. Construction of public works or improvements;
 - a. Construction of new buildings, structures, and fixtures.
 - b. Demolition, alteration, rehabilitation, repair or reconstruction of existing buildings, structures and fixtures, other than historic buildings and structures.
 - c. Acquisition of equipment to service the district;
 - d. Restoration of soil or groundwater affected by environmental pollution; and
 - e. Clearing and grading of land.
3. Real property assembly costs.
4. Professional service costs (planning, architectural, engineering, and legal).
5. Relocation costs.

6. Environmental remediation.
7. Organizational costs (environmental and other studies, publication and notification costs).

Criteria for TIF Assistance

All of the following financial criteria must be met in order to be considered for TIF assistance.

1. 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 City. 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.
2. Maximum Increment Use. For loans, no more than 75% of the net present value of the tax increment generated by a private development shall be made available to the project. For “pay-go” supported projects **up to** 90% of the generated annual tax increment can be made available if a financial need is demonstrated and there are no other public infrastructure projects planned in the district.
3. Payback Period. Payback period for loans will match the amortization period but in no case will exceed the statutory life of the district. Preference will be given to projects with payback periods of 10 years or under.
4. TIF Cap. The total amount of TIF assistance should not exceed 25% of total project costs. This limitation may be waived upon approval by the Common Council.
5. 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.
6. 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.
7. Land Assembly Cap. TIF assistance for land/property assembly costs will not be provided in an amount exceeding 10% of the fair market value of the land. The fair market value will be determined by an independent appraiser contracted by the City with cost of appraisal paid for by developer.
8. 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 City or City’s financial advisor. In no case shall the internal rate of return exceed 20%.
9. Taxable Increase. The project should result in an increase in taxable valuation of at least 20% upon project completion.
10. For city owned land acquisition within a current TID, projects must be completed within 24 months or the land will be deeded back to the City.

Policy Criteria

In addition to meeting all of the above financial criteria, projects must accumulate at least 50 points based on the following policy criteria. Points can range from 0 to the maximum shown below in each category:

Criteria	Maximum Points
1. Attracting, retaining or expanding businesses for the purpose of improving the City's economic base. a. Documentation of employment or financial projections must be provided by the party making the request and will serve as the basis for the agreement.	20
2. Projects that directly implement specific recommendations of the City's strategic planning documents such as the Comprehensive Plan.	10
3. Projects involving retail development that is targeted to encourage an inflow of customers from outside the city that result in exported goods, or that provide services or fill retail markets that are currently unavailable or underserved in the City.	5
4. Presence of extraordinary development/redevelopment costs such as: a. Remodeling/Rehabilitation/Demolition b. Environmental Remediation c. Capital purchases d. Facility expansion e. Public infrastructure	20
5. Proposed employment potential. a. Number of new employees. b. Skill and education levels required for the jobs. c. Range of salary and compensation rates for the jobs as compared with the median income level for the community. d. Cost of public assistance per job. e. Potential for executive relocation.	20
6. Enhance the streetscape and pedestrian experience.	5
7. Historic Preservation. Preservation/rehabilitation of a locally significant historic structure.	5
8. Provides direct benefit to distressed areas through blight elimination.	5
9. Quality of development and overall aesthetics (architectural, site design, landscaping, etc.) beyond that which is minimally required by the Zoning Ordinance.	5
10. Higher standards of Building Design, Materials, and Energy Efficiency such as meeting LEED certification, Energy Star, etc.	5

Process of TID Approval

TID creation requires following statutory prescribed timelines that include notification to the overlying taxing jurisdictions (i.e. public-school district, technical college, county, city), property owners within the district, and published meeting notification in the newspaper. Ultimately, the City's Plan Commission, Common Council, and Joint Review Board all must approve the TID creation request.

The TID creation process generally takes between 90-120 days and depending on the complexity of the request and information required may take additional time. The creation process involves extensive review by City staff, outside consultants, and the Common Council. Applicants will be required to make a presentation to the Council prior to the City moving forward with the creation of the Project Plan and Development Agreement.

1. A pre-application meeting is held between the developer and the City.
2. A TIF Application is submitted by the developer to the City.
3. The City will review the Application and determine completeness and whether the proposed project is eligible under the City's policy and statutory requirements.
4. Applicant presents their proposal during a Council meeting. Council goes into closed session to consider proposal and/or determine other information required prior to acting on proposal.
5. An analysis of the TID Plan and financial proformas will be conducted by an outside consultant.
6. Consultant will prepare and provide the City with feasibility analysis report, options, and/or TIF project plan document. Council is forwarded a draft of the Project Plan.
7. Within ninety (90) days of receipt of a completed application staff will schedule a public hearing before the Plan Commission on the Project Plan and District Boundaries. If approved by the Plan Commission, the Project Plan and recommended boundaries will be sent to the Common Council for review. There is a minimum 14 day wait from the public hearing to Council review.
8. If approved, the plan is forwarded to the Joint Review Board to make the final determination that the development will not proceed "but for" the use of TIF.
9. If approved, a Development Agreement is drafted and negotiated between the City and Developer.
10. Once general agreement has been reached on the terms of the Development Agreement, it will require approval by the Common Council.
11. Execution of the Development Agreement between the City and Developer.

Structure for Tax Incremental Financing Assistance

1. Tax Incremental Financing assistance will be provided by the City on a "pay-go" note method or via bond proceeds. Requests for up-front financing may be considered on a case-by-case basis if increment generation is sufficient to meet initial financing and debt service costs and is not the first dollars spent on a project.
2. For "pay-go" structured projects, the project owner shall agree to pay all other outstanding City of New Holstein property tax bills prior to disbursement of any pay-go payments by the City.

3. No Mortgage Guarantees. The City will not provide mortgage guarantees.
4. Personal Guarantee. The City will require a personal guaranty for receiving up front TIF assistance. Amount and form shall be acceptable to the City.
5. 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 assistance is requested.
6. The City will retain a maximum of 10% of any tax increment received from the project to reimburse for administrative costs.
7. When the project is intended as a for-sale development (i.e., office, retail or residential condominiums), the developer must retain ownership of the overall project until final completion; provided, however, that individual condominium units may be sold as they are completed. For all other projects, the developer must retain ownership of the project at least long enough to complete it, to stabilize its occupancy, to establish the project management and to initiate payment of taxes based on the increased project value.
8. Projects receiving assistance will be subject to a "look back" provision. The look back mandates a developer to provide the City or its financial advisor with evidence of its annualized cumulative internal rate of return on the investment (IRR) at specified periods of time after project completion. The IRR shall be calculated with equity, revenues, and expenses in accord with generally accepted accounting principles. If the financial records indicate that the developer has received a higher return on equity or internal rate of return than originally contemplated at the time of development agreement approval, future TIF contributions may be adjusted.
9. Exceptions to TIF Policy. The City reserves the right to amend, modify, or withdraw these policies or require additional statements or information as deemed necessary. Any party requesting waiver from the guidelines found herein or on any other forms provided for TIF assistance may do so on forms provided by the City with the burden being on the requestor to demonstrate that the exception to these policies is in the best interests of the City.

Tax Incremental Financing Application

Please complete and submit the following information to the City of New Holstein for a more detailed review of the feasibility of your request for Tax Incremental Financing (TIF) assistance. The application is comprised of five parts:

1. Applicant Information
2. Project/Property Information
3. Project Narrative
4. Project Budget/Financial Information
5. Buyer Certification and Acknowledgement.

Where there is not enough space for your response or additional information is requested, please use an attachment. Use attachments only when necessary and to provide clarifying or additional information.

The City staff reviews all applications for TIF assistance. Failure to provide all required information in a complete and accurate manner could delay processing of your application and the City reserves the right to reject or halt processing the application for incomplete submittals.

For further information, please refer to the City of New Holstein Tax Incremental Financing Policy document or call the City Administrator at 920-898-5766.

Applicant Information:			
Legal Name:			
Mailing Address:			
Primary Contact #:		Cell #:	
E-mail:		FAX #:	
Attorney:			
Legal Entity:	<input type="checkbox"/> Individual(s)	<input type="checkbox"/> Joint Tenants	<input type="checkbox"/> Tenants in Common
	<input type="checkbox"/> Corporation	<input type="checkbox"/> LLC Partnership	<input type="checkbox"/> Other
If not a Wisconsin corporation/partnership/LLC, state where organized:			
Will a new entity be created for ownership? <input type="checkbox"/> Yes <input type="checkbox"/> No			
Principals of existing or proposed corporation/partnership/LLC and extend to ownership interest.			
Name:	Address:	Title:	Interest:
Is any owner, member, stockholder, partner, officer or director of any previously identified entities, or any member of the immediate family of any such person, and employee of the City of New Holstein? <input type="checkbox"/> Yes <input type="checkbox"/> No			
If yes, please provide details:			

Overall Project Summary and Objectives:

Current and Proposed Uses:

Description of End Users:

Property Summary: Parcel/Land Area: _____ SF Building Area: _____ SF # of Dwelling Units: _____ # of Stories: _____ # of Parking Spaces _____	Describe any zoning changes that will be needed:
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Identify any other approvals, permits or licenses (i.e. Liquor License, Health Department, etc):

Describe briefly what the project will do for the property and community:

Project Timetable

- Final Plan/Specification Preparation:
- Bidding and Contracting
- Firm Financing Approval:
- Construction/Rehabilitation:
- Landscaping/Site Work:
- Occupancy/Lease Up:

Development Team
Developer:
Architect:
Surveyor:
Contractor:
Other Members:
Describe Team expertise and experience in developing similar projects:
Other current Team projects in development:
Financial ability of the applicant to complete the project:
History of use of other city or government financial incentives:
Professional Studies
<p>Market Studies: Applications for commercial and residential projects may at the option of the city be required to include a comprehensive market study. The market study should identify target markets, analysis of competition, demographics, market rents, letters of intent/interest from prospective tenants, or for housing developments, sale prices or rental rates of comparable properties.</p> <p>Appraisal: All projects that involve the transfer of land may at the option of the city include a recent appraisal. Projects that include land as a form of equity or collateral must also submit a recent appraisal. The appraisal must value the property “as is”, and the impact on value must be considered for such items as demolition, environmental remediation, relocation of utilities, lease by-outs, and other work necessary to make the site developable. The property must be valued assuming that the highest and best use is the proposed use.</p>

Project Budget/Financial Information:

Sources and Uses of Funds

Identify the sources of funds used to finance the project. Typical sources include equity, lender financing, government financing, other anticipated types of public assistance, and any other types or methods of financing.

Uses of Funds

	Amount (\$)	\$ per SF of Building Area
Land Acquisition:		
Demolition:		
Environmental Remediation:		
Site Clearance and Preparation:		
Soft Costs/Fees:		
Soft Cost Contingency:		
Hard Construction Costs:		
Total Project Costs:		

Sources of Funds

% of total project costs

Equity

Developer Equity:	\$		_____%
Other Equity: (_____)	\$		_____%
Total Equity:	\$		_____%
Loans		Rate	Term
Construction Financing:	\$	_____%	_____ mos. _____%
Permanent Financing:	\$	_____%	_____ mos. _____%
TIF Assistance	\$		_____%
Other: (_____)	\$		_____%
Total Sources of Funds	\$		100%

Financing

Source Amount	Terms: Years/Interest	Contact Information
Equity:		
Loans 1:		
2:		
3:		
4:		

Detailed Pro Forma (must correspond to line items for Uses of Funds on previous page)	
Land Acquisition	\$
Demolition	\$
Site Clearance and Preparation	\$
Infrastructure	\$
Utilities/removal	\$
Utilities/relocation	\$
Utilities/installation	\$
Hazardous Materials Removal	\$
Other (_____)	\$
Total Site Clearance and Preparation	
Soft Costs/Fees	
Project Management (_____%)	\$
General Contractor (_____%)	\$
Architect/Engineer (_____%)	\$
Developer Fee (_____%)	\$
Appraisal	\$
Soil Testing	\$
Market Study	\$
Legal/Accounting	\$
Insurance	\$
Title/Recording/Transfer	\$
Building Permit	\$
Mortgage Fees	\$
Construction Interest	\$
Commissions	\$
Marketing	\$
Real Estate Taxes	\$
Other Taxes	\$
Other	\$
Other	\$
Sub-total Soft Costs/Fees	\$
Soft Cost Contingency	\$

Summary Letter

Provide a summary of the project in the form of a letter addressed to the City Administrator. The letter should not exceed two (2) pages in length and should include only the following essential information about the project:

- Description of site or building
- Current and proposed uses
- Description of end users
- Project start and end dates
- Description of public benefits, including job creation.
- Overview of private-sector financing.
- Amount of TIF assistance requested
- Summary of increment projections
- Name of developer and owner
- Total development costs
- Statement regarding why TIF is essential and why the “but for” provision will be met.

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 application.

Project Narrative

Provide an in-depth overview of the project in narrative format. The narrative must include a description of the following aspects of the project:

- Current condition of the site and historical overview that includes the size and condition of any existing structures, environmental conditions, and past uses of the site.
- Proposed use(s) of project (e.g. industrial, commercial, retail, office, residential for sale or for rental, senior housing, etc.)
- Construction information about the project including size of any existing structure to be demolished or rehabbed; size of any new construction: types of construction materials (structural and finish); delineation of square foot allocation by use; total number and individual square footage of residential units: types of residential units (e.g. for-sale, rental, condominium, single-family, etc.); number of affordable residential units; number and type of parking spaces; and construction phasing.
- If in an existing TID or redevelopment area, confirm that this project is consistent with the goals and objectives in the Project or Redevelopment Plan.
- A summary of the proposed “green” features to be included in the project. All projects that receive TIF assistance are encouraged to include environmentally friendly features.

Filing Requirements

You must provide all of the following items with your signed application:

1. **Fee:** An application fee of 1% of the requested TIF assistance. This fee is to cover City costs associated with evaluating the TIF application and does not cover the use of outside consultants, which is required will be paid for by the applicant. Make your check payable to the City of New Holstein.
2. **Site Maps:** Provide a map that shows the location of the site. Also provide a map that focuses on the project and its immediate surroundings. Both maps should be no larger than 11 x 17 inches. Larger maps will be required for projects presented to the Plan Commission, or Common Council.
3. **Project Renderings:** Provide preliminary architectural drawings, plans and rendering for the project. These drawings should be no larger than 11 x 17 inches. Larger maps will be required for projects presented to the Plan Commission or Common Council.

Notes:

- If the project requires planning and zoning approvals, you must make these applications concurrent with this request.

Agreement

I, by signing this application, agree to the following:

1. I have read and will abide by all the requirements of the City for TIF.
2. The information submitted is correct.
3. I agree to pay all costs involved in developing Project Plan or Development Agreement. These costs may include, but not be limited to, bond counsel, title searches, warranty deeds, outside legal assistance, outside financial assistance, planning, engineering, etc. and all costs involved in the issuance of the bonds or loans to finance the project. These fees are not refunded if the project is denied.
4. I understand that the City reserves the right to deny final approval, regardless of preliminary approval or the degree of construction completed before application for final approval.
5. The undersigned authorizes the City of New Holstein to check credit references and verify financial and other information.
6. The undersigned also agrees to provide any additional information as may be requested by the City after filing of this application.

Applicant Name Printed _____ Date _____

Applicant Signature _____