



Tax Increment District Overview

Presented to the Village Board

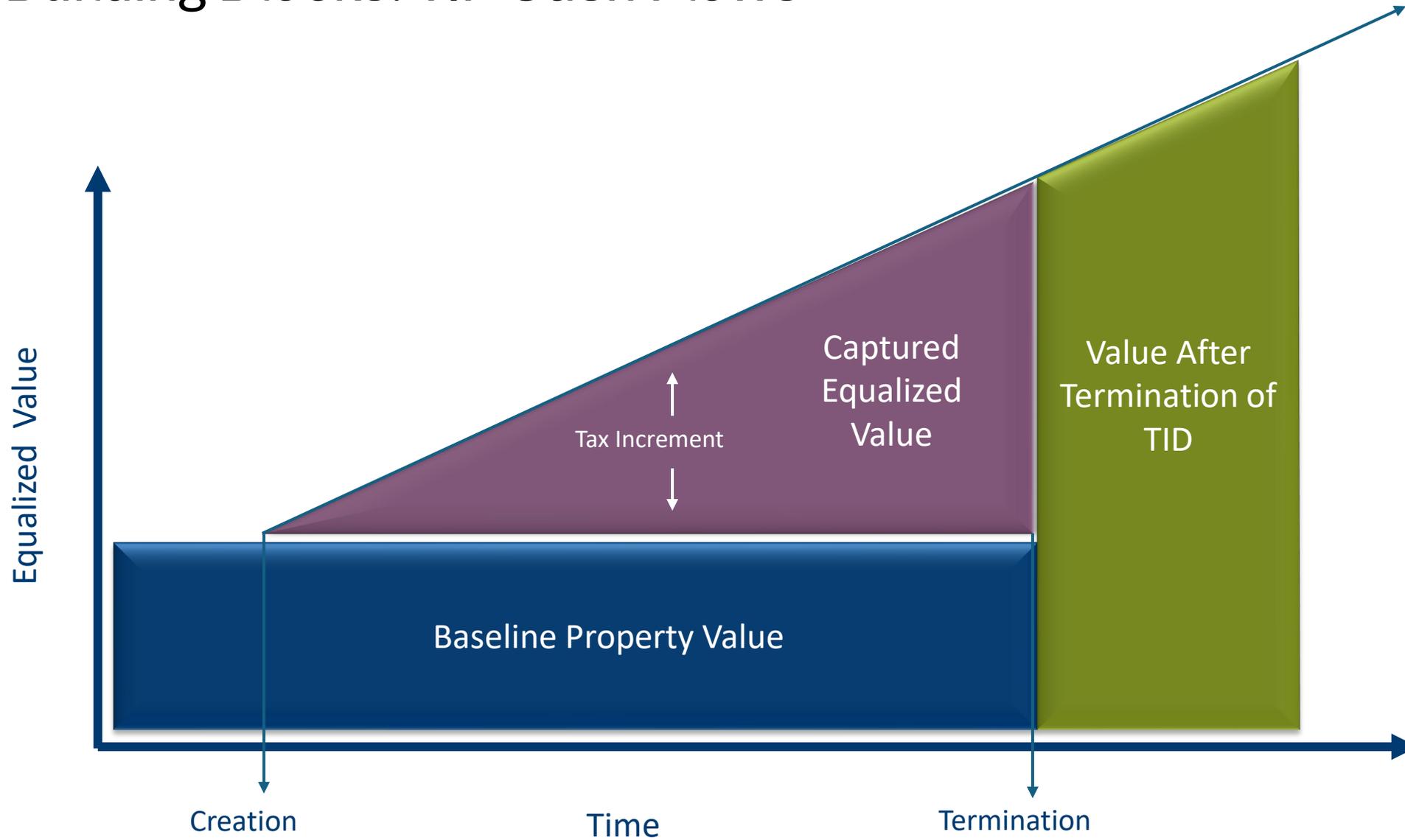
March 17, 2025



What is Tax Increment Financing?

- Key acronyms:
 - TIF = Tax Increment Financing (*the tool*)
 - TID = Tax Increment District (*where the tool is used - boundary*)
- Powerful economic development tool
- Allows municipalities to capture incremental property tax revenue from tax base **growth** in defined area & use it to **benefit** that area

Building Blocks: TIF Cash Flows



The “But-For” Test

What is it? Why is it important?

What is proposed would not occur “but for” creation of TIF district & use of tax increment financing

TIF district is economically feasible: district projected to produce sufficient revenue to recover all costs

Economic benefits justify investment: housing, employment, needed infrastructure, other benefits in addition to increased tax base



Myth...

- The but-for test requires municipalities to prove nothing would ever develop in the proposed TIF area.



Reality...

- Wis. Stat. 66.1105(4m)(c)1.a.: Whether *the development expected* in the tax incremental district would occur without the use of tax incremental financing
- The local jurisdiction & the JRB do not need to find that no development will occur absent TIF, only that *the development expected* will not occur (*i.e., what is specifically being proposed at the time of TID creation & amendment*)
- TIF can be used to incentivize development the community desires to see, even if a lesser quality development might occur on a site without TIF



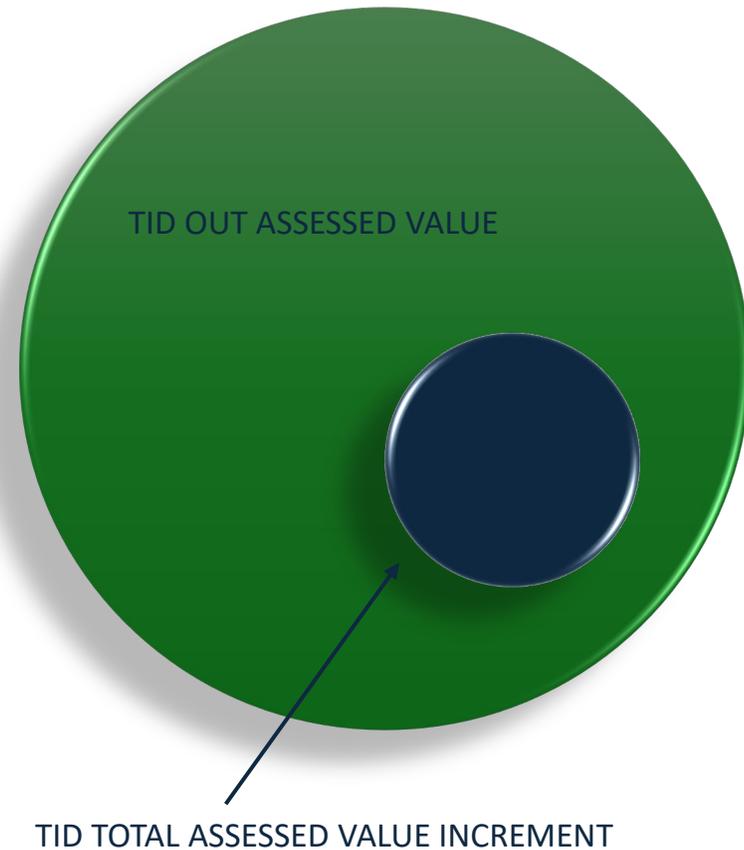
Myth...

TIF increases property taxes.



Reality

- Municipality & all other taxing jurisdictions levy generally applicable property tax
- Total levy amount divided by total TID out assessed value generations a real property tax rate expressed in \$/\$1,000 of value (mill rate)
- Tax rate is applied to value captured in TIDs & total amount of tax increment is collected by the municipality
- Total tax increment apportioned to individual TIDs pro-rated by respective value increment



Reality

- All taxpayers pay the same rate regardless whether the property is in or out of a TID
- It's where the tax revenue goes & what it can be used for...



Supports GF Expenditures
Municipal Levy Only



TIF-Eligible Expenditures
All Jurisdiction's Levies



2025 Legislative Changes

- State closed the TID “loophole” for net new construction.
- Municipalities were allowed to include 100% of TID new construction in net new construction and include 50% of the value of a TID in net new construction when the TID closes.
- Under new legislation, 90% of TID construction can be included in net new construction and include 10% of the value of a TID in net new construction when the TID closes.
 - Exception: 25% of the value of a TID can be included in net new construction when a TID closes if it closes before 75% of the legal term.

Use of TIF to Fundamentally Change a Community

- Village of Pewaukee Downtown
- City of Oak Creek
- City of West Bend Downtown and River Front
- City of Cedarburg Downtown
- City of Mequon
- Village of Sussex
- Village of Grafton
- The Corner Town of Brookfield

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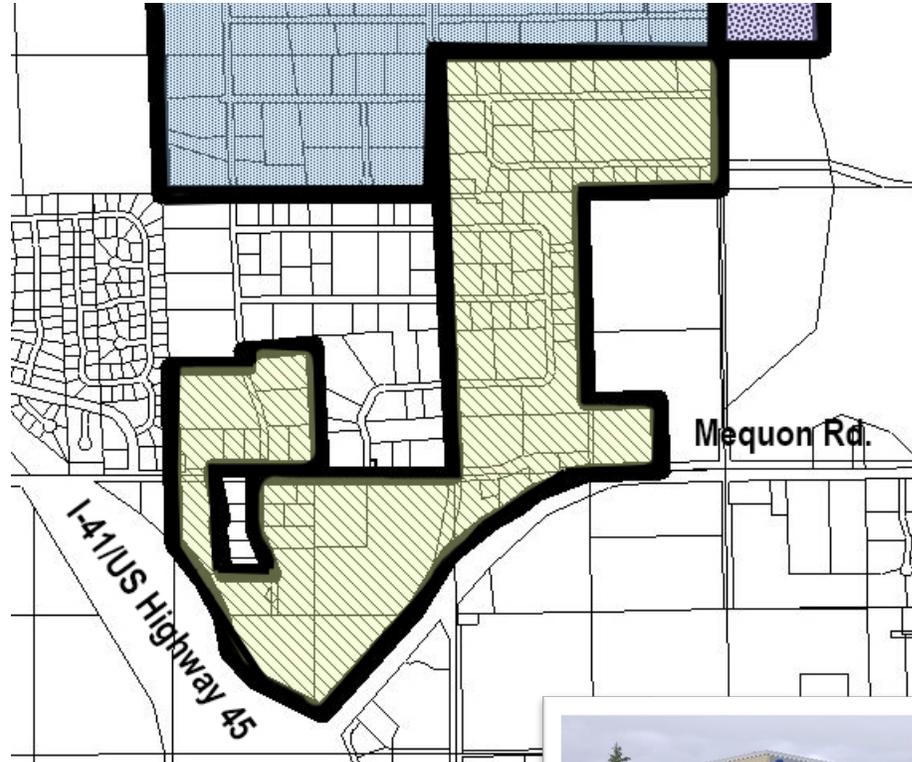
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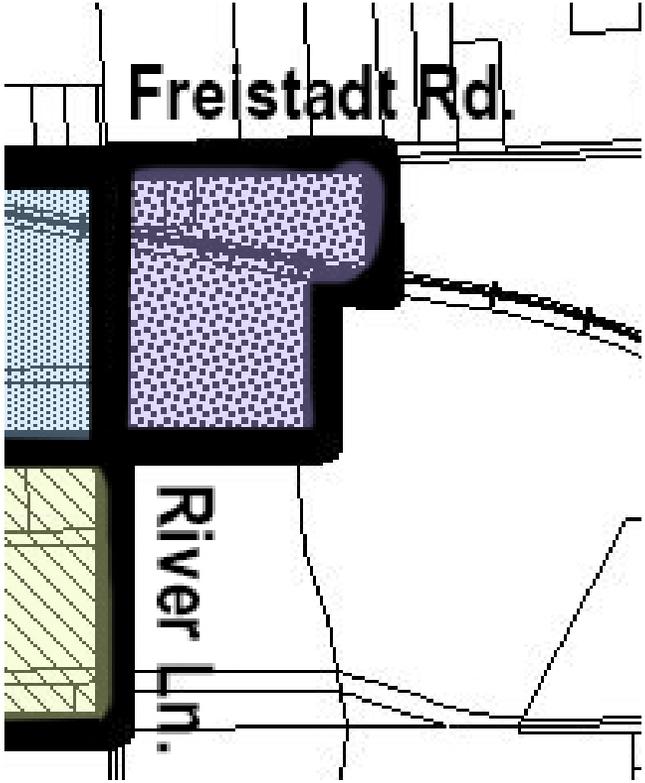
Examples from Germantown

- TIDs 1 through 5 were created in the 1980's and 90's. The last of these TIDs closed in 2019.
- Development in these TIDs has added about \$288 million to Germantown's property tax base.
- Without the development in these TIDs, a \$425,000 home would be paying over \$700 more in property taxes than they are today.

TID 1: 1986-1994



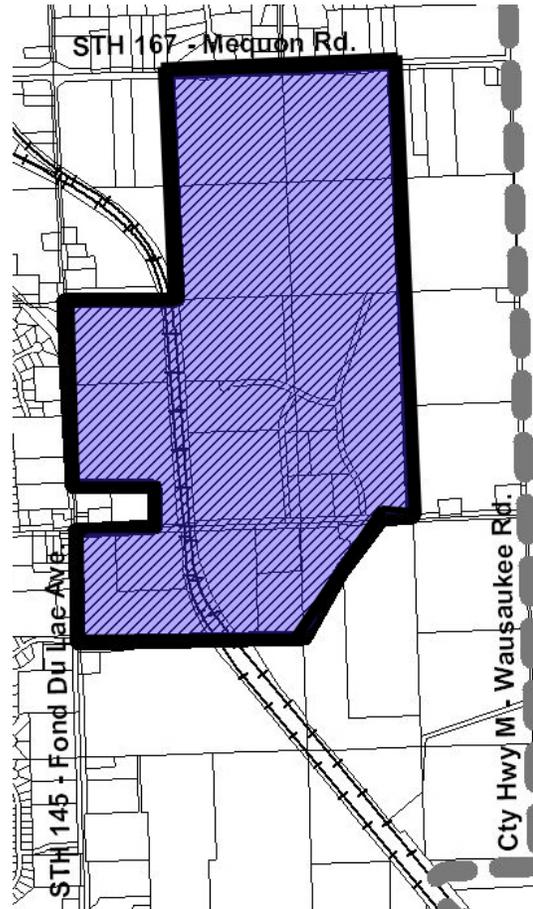
TID 2: 1988-1994



TID 3: 1989-2013



TID 4: 1994-2019



TID 5: 1998-2013





Active TIDs: TID 6

- Willow Creek Industrial Park – off Appleton Avenue
 - Created in 2014
 - Base Value = \$2,796,400
 - Value on 1/1/2024 = \$52,123,800
 - Expected Closure = 2032
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Active TIDs: TID 7

- JW Speaker northwest to Holy Hill Road
 - Create in 2017
 - Base Value: \$9,892,300
 - Incremental Value: \$23,673,900
 - Expected Closure: 2036
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Active TIDs: TID 8

- Germantown Gateway Business Park
 - Created: 2018
 - Base Value: \$640,700
 - Incremental Value: \$200,559,000
 - Expected Closure: 2032
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Active TIDs: TID 9

- Donges Bay and Wausaukee
 - Created: 2022
 - Base Value: \$188,959
 - Incremental Value: \$23,552,000
 - Expected Closure: 2036
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Proposed TID: TID 10

- Created: 2025? (Redevelopment TID)
 - Intersection of Mequon/Pilgrim Road
 - Base Value: \$22.2 million
 - Estimated Incremental Value: \$84.6 million
 - Expected Closure: 2049
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Questions/Discussion

