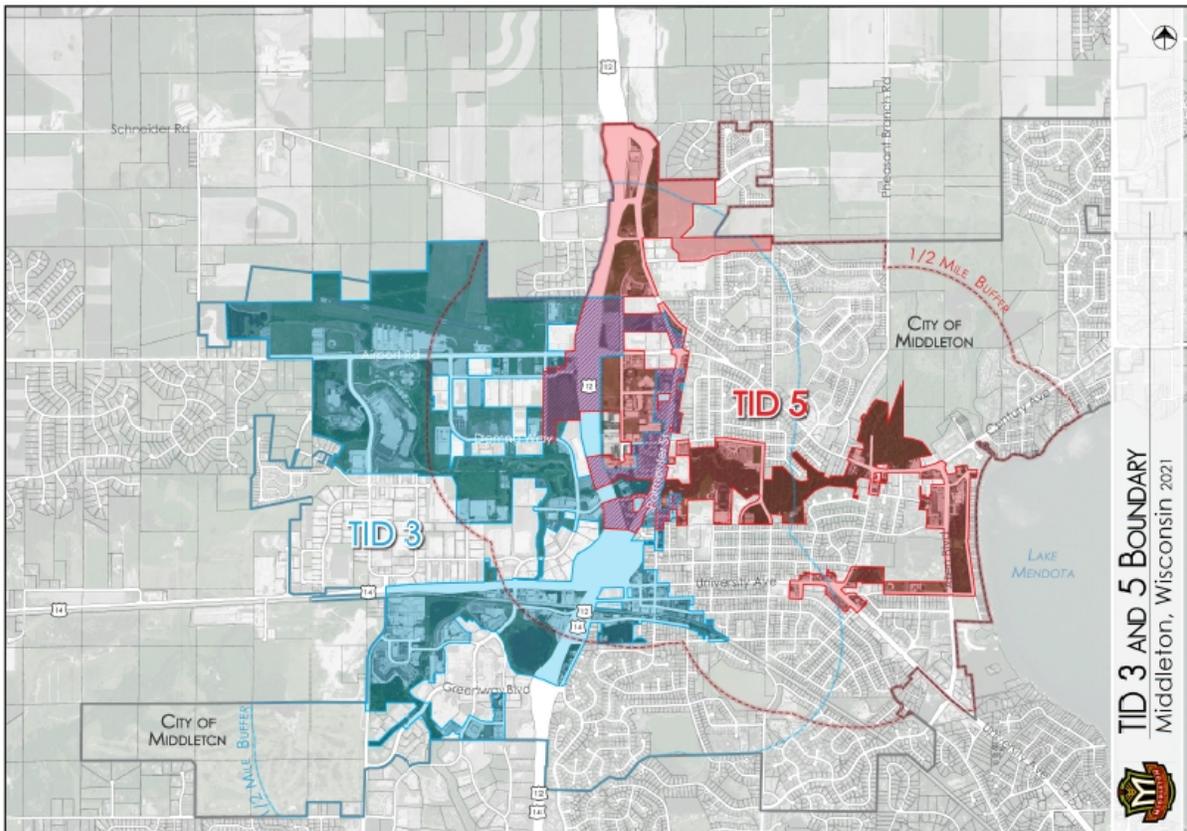




# City of Middleton, Wisconsin Tax Increment Financing (TIF) Policy



Adopted by the Middleton Common Council on January 7, 2020

Revised by the Middleton Common Council on October 4, 2022

## **Introduction**

The Common Council in its sole authority may approve or disapprove any TIF requests as it deems appropriate. Approval or disapproval of any TIF request does not establish precedent obligating the Common Council to approve or disapprove any future TIF requests.

TIF is a financing tool where cities can use the increased property tax revenue from new development or redevelopment in an area (called a TIF District or TID) in order to pay for public infrastructure projects or economic development projects in the TID. TIF works by temporarily capturing a portion of property tax revenues collected in the TID to pay for eligible project costs as described in the TID project plan. When project costs have been repaid through tax increments, the TID closes and the total value of properties in the TID are added to the tax base of the city, county, and school district. TIF is the main economic development tool available to Wisconsin cities.

Financial assistance from the City of Middleton TIF program for private development or redevelopment projects shall be evaluated according to Wisconsin law and this policy. Variations from this policy may be considered for projects that provide extraordinary benefits to the community in terms of tax base, job creation or retention, improvements to public infrastructure, or other advantages to the Middleton economy.

The City of Middleton shall evaluate all requests for TIF assistance using the “but for” standard and utilizing a financial gap analysis. Each project must demonstrate that “but for” TIF, the project would not be financially feasible. The financial gap analysis should demonstrate the minimal amount of TIF assistance needed as gap financing to make the project financially feasible.

### **Section 1: TIF Goals**

1. Growing the property tax base
2. Fostering the creation and retention of quality jobs for individuals of all backgrounds and abilities
3. Redeveloping blighted areas that are obsolete or detrimental to public health and wellbeing
4. Promoting infill development and redevelopment that can achieve highest and best use of land
5. Remediating contaminated brownfield sites
6. Incentivizing the development of a range of workforce housing options that can close the housing affordability gap
7. Mitigating climate change and adapting to our changing environment
8. Funding public improvements that enhance livability, improve the City’s infrastructure, enhance the urban greenway, improve multi-modal transportation options and access to employment areas, enrich the aesthetics of key areas and corridors within the City

through the use of streetscaping and art amenities, and boost the stormwater management capabilities

9. Leveling the playing field for sites that are challenging to develop due to extremely poor soil quality
10. Implementing adopted City plans and policies, particularly the City's Comprehensive Plan.
11. Ensuring that sufficient increment is available to fund public infrastructure projects as described in TID project plans.

## **Section 2: TIF Policy Guidelines**

1. All TIF considerations shall be consistent with the approved TIF Project Plan(s).
2. If Middleton provides TIF assistance to developers, it will do so primarily through developer-financed methods, to minimize the risk of public participation wherever possible. Middleton may consider up front TIF incentives on a case-by-case basis where gap financing is required.
3. Middleton will consider TIF requests only after determining that "but for" TIF, the project would not be financially viable.
4. Middleton will give preference to TIF assistance for projects that are occurring on sites that are already developed (redevelopment projects) over greenfield development projects which typically have lower costs.
5. Middleton aims to minimize the percentage of increment applied to a development project, especially within TID 5, where the remaining life of the TID is longer, and therefore offers more years to reimburse development projects.
6. Middleton will adhere to the principles of regional collaboration in economic development. Middleton will avoid disparaging or selling against other communities and will avoid recruiting and/or assisting to relocate businesses currently located in other communities in the region. Middleton may use TIF to retain and/or assist in expansion for employers currently in the region who have outgrown their current space.
7. For development projects that will include competitive funding resources allocated by any state or federal agency, Middleton may evaluate TIF assistance with the standards of the state or federal funding source and seek to design incentives that increase the chances of securing state or federal funding.
8. In special circumstances, Middleton may provide economic incentives for job creation or retention. If economic incentives are offered, there will be a job maintenance and lookback provision requirement.
9. Middleton will include lookback provisions on actual construction costs and TIF-eligible expenses for all TIF agreements.
10. Middleton may require heightened design standards for TIF projects.

### **Section 3: TIF Project Types & Costs**

The following project types may be TIF eligible if they meet the City's TIF Goals (Section 1):

1. Projects that are consistent with the approved TIF Projects Plans.
2. Redevelopment projects, including but not limited to office, research & development, medical uses, light manufacturing, housing, and mixed-use projects
3. Expansions and renovations that increase the valuation of the property
4. Blight elimination
5. Greenfield office, research & development, medical uses, light manufacturing, mixed-use, and affordable housing developments
6. Preservation and adaptive reuse of historic buildings

The following project costs may be TIF eligible if they meet the City's TIF Goals (Section 1):

1. Public infrastructure necessary for the proposed project
2. Demolition of existing structures for redevelopment projects
3. Remediation of soils that are contaminated
4. Remediation of soils that are of poor quality for construction purposes
5. Structured parking that maximizes the density on a site
6. Extraordinary costs related to affordable housing development
7. Whole-building energy modeling (BEM) for new construction and building retrofits
8. Renewable energy, including solar photovoltaics, geothermal, and wind energy
9. Microgrid technology that can support renewable energy and energy reliability
10. Electric vehicle (EV) charging infrastructure, including costs associated with electrical and conduit to make expanded parking areas EV-ready.
11. Green roofs that include gardens that can capture and retain stormwater on building roofs covered partially or completely with vegetation, growing medium, waterproofing, and drainage systems. Green roofs above parking garages (at-grade) are not TIF eligible.
12. Blue roofs that capture and store stormwater to mitigate runoff effects
13. Under-parking water retention systems that capture and store stormwater to mitigate runoff effects
14. Stormwater management best practices that are above the State mandate
15. Purple pipe reclaimed water piping systems
16. Site-specific public art projects

The following project types are not TIF eligible:

1. Developments that occur outside the TIF district.
2. Market rate housing on greenfield sites are not typically TIF eligible. Market rate housing projects will be evaluated on a case-by-case basis and may be considered for

assistance to the degree they demonstrate a financial gap and promote the City's TIF goals articulated in Section 1.

3. Retail-only buildings on greenfield sites (hospitality and leisure, retail stores, service-oriented retailers like daycares, etc.).
4. Buildings that are already constructed.
5. Developments that are exempt from the payment of property taxes.

The following project costs are not TIF eligible:

1. Land costs that exceed market land costs.
2. Ordinary or typical development costs that are normally provided in the market for the type of land use that is being proposed or that are required to meet City or State requirements or codes. Examples could include (but are not limited to): 1) costs related to meeting building or plumbing code requirements; 2) costs related to meeting City or County stormwater management requirements; 3) costs related to soil remediation, land alteration, site preparation or grading that are not attributable to remediating poor quality or contaminated soils.
3. In housing developments, the first level of underground parking.
4. Energy efficiency improvements (including high-efficiency windows or shadings, energy efficient appliances, LED lighting, enhanced insulation, et cetera) within a building. These are expected in all TIF projects, but they are not TIF-eligible costs.
5. City fees (impact, park dedication, park improvement, stormwater management, etc.).
6. TIF may not pay for infrastructure that is normally paid for by special assessments or other city charges.
7. Other costs that are deemed to be normal development costs.

#### **Section 4: Application and Approval Process**

1. Pre-Application Meeting: The developer shall meet with City staff to discuss the project in concept including the need for TIF financing, potential TIF-eligible costs, project timeline, and economic benefits.
2. Application and Review Fee: If the developer wishes to proceed with a request for TIF financing they shall submit a TIF request letter and completed application form along with a TIF Review Fee of \$1,000 which will be used to cover the cost for staff TIF and City consultants in reviewing the TIF request. The TIF Review Fee is non-refundable. Upon request, the City may provide applicants with the appropriate discount rate, interest rate, inflation or property value growth rate, future mill rate, and cap rate it determines to be appropriate for analysis. As part of the application the developer shall submit a proforma for the project showing the total sources and uses of funds, anticipated project valuation, and projected rate of return.
3. Staff Review and Recommendation: The City's TIF team will review the request with assistance from the City's consultants (TIF Planner, TIF Engineer, Financial Advisor, and City Attorney) and from the City Assessor as needed. Depending on the complexity of

the project the developer may be invited in for additional meetings with the City's TIF Project Management Team (PMT) or TIF staff.

4. Term Sheet: Staff will prepare a term sheet outlining the key terms of a recommended TIF agreement including the type and amount of TIF assistance, TIF-eligible costs, percentage of TIF increment to be applied to the project, the projected rate of return for the project with and without TIF assistance, and other key terms of a TIF agreement. The term sheet will be provided to the developer and the Finance Committee and City Council.
5. Plan Commission: If the project is not a permitted land use (requires a rezoning or a conditional use permit), then the Plan Commission should review the project for concept approval (at a minimum) prior to concept review of the TIF request by the Finance Committee and City Council. Normally, the Plan Commission will not review TIF requests.
6. Finance Committee Conceptual Review: The Finance Committee will meet to review the TIF request and term sheet. The Committee may meet with the developer in open session to ask questions regarding the request. The Finance Committee will then have the opportunity to meet in closed session without the developer to discuss negotiations of the terms of the TIF agreement. The Finance Committee will make a recommendation to the City Council on the terms of a TIF agreement. The City Council will consider the Finance Committee's recommendation at the next regularly scheduled meeting, but will not consider the recommendation on the same date that it is made. This will allow City Council members time to ask questions of staff and perform their own review prior to taking action on the recommendation.
7. Common Council Conceptual Review: The City Council will review the term sheet and Finance Committee recommendation and take action on the conceptual approval of the terms of the TIF agreement.
8. Drafting of TIF Agreement: Following conceptual approval by the City Council, staff will work with the City Attorney to draft the formal TIF agreement based on the term sheet and the direction of the City Council.
9. TIF Agreement Approval: The Finance Committee will review the TIF agreement and make a recommendation to the City Council who shall take action to approve or reject the agreement.
10. Lookback and Review of TIF-Eligible Costs: Following completion of the project, the developer shall submit the final action sources and uses (costs) for the project. If there is an increase in sources of funds or a reduction in costs, the amount of the TIF incentive may be reduced by a prorated share based to 50% of the savings or additional funds. In addition, the developer shall provide documentation of the actual amount of TIF-eligible costs. The amount of the TIF incentive shall be limited to the actual amount of TIF-eligible costs.
11. Issuance of TIF Bond and Payment of TIF Incentives: For developer-financed TIF incentives, staff will work with the City Attorney to prepare a TIF bond based on the

amount of documented TIF-eligible costs and detailing the timing and amount of TIF payments. The TIF bond will go to the Finance Committee and City Council for approval.

### Project Requirements

All developers requesting TIF assistance must demonstrate that:

1. The project is not financially feasible without the use of the requested TIF funding.
2. The TIF request complies with Wisconsin statutes and the TIF District Project Plan.

### Project Evaluation Criteria

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

- Does the project conform to existing plans and zoning?
- How does the project increase and improve the City's tax base?
- What portion of the tax increment is applied to the project compared to total TIF district?
- What is the economic impact of the project including job creation and retention?
- Does the project support the City's affordable housing and sustainability goals?
- What impact would the project have on current City businesses?
- What are the qualifications of the developer and the development team?
- What level of private equity and financing is included in the project budget?
- Does the project rely on reasonable assumptions of real property value increases?
- Would the proposed project assist in achieving other policy goals established by the City Council?



# City of Middleton, Wisconsin

## Tax Increment Financing (TIF) Request Application Form

Please complete and submit the following information to the Department of Planning and Community Development for a more detailed review of the feasibility of your request for Tax Increment Financing (TIF) assistance.

### **Applicant Information**

Name of Applicant: \_\_\_\_\_

Business Name and Address: \_\_\_\_\_

\_\_\_\_\_

Primary Contact: \_\_\_\_\_

Phone Number: \_\_\_\_\_ E-Mail Address: \_\_\_\_\_

Type of Business Entity: \_\_\_\_\_

### **Property Information**

Address of the Proposed Project: \_\_\_\_\_

Parcel Number(s): \_\_\_\_\_

Currently, does the applicant own or lease the property? (Check one)

Own  Lease  Neither

At project completion, will the applicant own, lease, or convert the property to condo ownership?

(Check one)  Own  Lease  Convert to Condo Ownership

At project completion, who will occupy (operate business on) the site? (Check one)

Owner  Renter  Both

If the applicant is the current or prospective tenant of the property, attach a description of the premises to be leased (legal description, floor plan, etc).

**Evidence of Site Control**

A. If the Applicant owns the project site, attach a copy of the applicant’s deed. Also indicate:

Mortgage Holder(s): \_\_\_\_\_

Total annual mortgage payment (principal & interest): \$ \_\_\_\_\_

Total outstanding balance of existing mortgage(s): \$ \_\_\_\_\_

Name, address, and phone numbers of other persons or entities having an ownership interest in the property to be redeveloped, if applicable:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

B. If the Applicant has a contract or option to purchase the project site, attach a copy of the purchase or option contract. Also indicate:

Date contract was signed: \_\_\_\_/\_\_\_\_/\_\_\_\_

Closing/expiration date: \_\_\_\_/\_\_\_\_/\_\_\_\_

C. If the Applicant currently leases or will lease the project site, attach a copy of the lease or lease option contract. Also indicate:

Legal name of Owner as noted on the deed(s): \_\_\_\_\_

Name of person who signed lease for Tenant (lessee): \_\_\_\_\_

Landlord/Owner’s name and address: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Owner Affidavit. If the applicant currently leases or plans to lease the property, have the owner (and all entities having ownership interest in the property) sign an Owner’s Consent Letter.

**Project Description**

Describe the project and the proposed use: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Is the proposed project consistent with the existing zoning of the property?  Yes  No  
 If no, what zoning change will be requested? \_\_\_\_\_

Land Area (in square feet) of project site:  
 Current: \_\_\_\_\_ square feet  
 Proposed: \_\_\_\_\_ square feet

Building Area (in square feet) of project building:

	Gross	Net Leasable
Current:	_____	_____
Proposed:	_____	_____
Number of Stories:	_____	Number of Units: _____

**Residential Unit Breakdown**

Unit Type	# of Units	# of Bedrooms	Avg. Sq. Ft.	Avg. Rent*	Avg. Sale Price**
A					
B					
C					
D					
E					
F					

\* Utilities included in apartment rent (check all that apply):  
 None \_\_\_\_\_ Electric \_\_\_\_\_ Heat \_\_\_\_\_ Other (specify: \_\_\_\_\_) \_\_\_\_\_  
 \* Additional costs:  
 Parking \_\_\_\_\_ Storage \_\_\_\_\_ Other (specify: \_\_\_\_\_) \_\_\_\_\_  
 \*\*If condo project.

**Job Creation and Retention Information**

List the current and projected number of part-time and full-time jobs in the City of Middleton before and after project completion.

	Current Jobs	Projected Jobs	Average Wages / Salary	Average Total Compensation
Full-Time				
Part-Time				
Total				

**Project Budget**

Type of assistance being requested:

- Developer-Financed TIF Incentive       City-Financed (Upfront) TIF Incentive
- Waiver of Impact Fees (For affordable housing projects)
- Other (Describe: \_\_\_\_\_)

Indicate the total amount of TIF assistance requested: \$ \_\_\_\_\_

Anticipated assessed value of the project at completion: \$ \_\_\_\_\_

**Project Budget Sources and Uses of Funds**

SOURCE OF FUNDS	AMOUNT
Private Financing	
Secondary Financing	
Developer Equity	
Investor Equity	
Grants	
TIF Assistance	
Other:	
Other:	
Other:	
<b>TOTAL SOURCES</b>	

USES OF FUNDS	AMOUNT
Property Acquisition	
Demolition	
Environmental	
Public Infrastructure	
Hard Construction Cost	
Architect & Engineering Fees	
Other Soft Costs & Permits	
Financing Costs	
Development Fee	
Contingency	
Other:	
Other:	
Other:	
<b>TOTAL COSTS</b>	

**Please attach a detailed project proforma showing projected revenues, expenditures, net operating income, and anticipated after-TIF rate of return.**



**Project Financing**

Private Financing Lender: \_\_\_\_\_

Loan Amount \$ \_\_\_\_\_ Interest Rate: \_\_\_\_\_ Preapproved?  Yes  No

TIF Loan Lender: \_\_\_\_\_

Loan Amount \$ \_\_\_\_\_ Interest Rate: \_\_\_\_\_ Preapproved?  Yes  No

Are any grants or tax credits involved?  Yes  No

If yes, what programs: \_\_\_\_\_

\_\_\_\_\_

Application status: \_\_\_\_\_

\_\_\_\_\_

Likelihood of award: \_\_\_\_\_

\_\_\_\_\_

Other funding: \_\_\_\_\_

**Signature**

I, the undersigned, affirm that the project descriptions, numerical and financial estimates, and all other information I have provided in this application are true and complete to the best of my knowledge. I have read and understood the requirements described in this application. I understand this application and the supporting documents are considered public records and may be subject to disclosure under Wisconsin’s Public Records laws. Furthermore, I certify that I am authorized to initiate the TIF application process on behalf of the project described.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Title: \_\_\_\_\_

**Legal Disclaimer**

*Completion of this application does not entitle the applicant to financial assistance. Any such assistance must be approved by the appropriate City boards, committees, authorities, and the City Council.*

Please attach:

- A letter describing the project, its impact, and the need for TIF assistance
- A detailed proforma showing projected revenues, expenses, net operating income, and the after-TIF assistance anticipated rate of return
- Loan pre-approval or commitment letter (if applicable)

**A non-refundable TIF application fee in the amount of \$1,000 is required with this application to help reimburse the cost of City TIF staff and consultants in reviewing the TIF request.**