

Tax Incremental Financing Districts – Frequently Asked Questions

1. What is a Tax Incremental Financing District?

A Tax Incremental Financing District (TID) is an economic development tool used by municipalities to promote economic development and redevelopment initiatives within a geographic area defined by the City.

2. How does a TID work?

Taxes collected on the increase of property value within the TID are used to pay for projects and expenses incurred within the TID. All of the taxing jurisdictions (City, County, School District, and Technical College) continue to collect their share of taxes on property value established when the TID is created (referred to as the base value). The City retains all of the taxes collected on increased value, including the amount attributable to the other taxing jurisdictions. If a property has a \$500,000 value when the TID is created, for example, all taxing jurisdictions will continue to collect their share of taxes on the \$500,000 base value. If the value increases to \$750,000, the City will retain all of the taxes collected on the \$250,000 of new value generated. These additional taxes must be used to pay for projects/expenses that benefit the TID.

3. Do I pay a different tax rate if my property is located within a TID?

No. Property owners within a TID pay the same tax rate as properties located outside of a TID. The only difference is how the taxes paid are distributed to the taxing jurisdictions.

4. How long will the TID remain in place?

Depending on the type some TIDs have a maximum life of 27 years. The TID can close sooner if sufficient revenue has been generated to pay for projects/expenses and no additional costs are anticipated. TID #1 in the City closed after 12 years.

5. What type of TID is the City of Cedarburg creating?

The City of Cedarburg is creating a blighted area TID. “But for” creation of the TID, the City does not expect development to occur on this site in the manner, at the values, or within the timeframe desired by the City. Impediments to development include:

- The property is blighted and additional funding is necessary to offset some of the additional costs of construction and potential remediation activities.
- One of the parcels is included in the historic district adding even more costs to the price of the building.
- The property has been vacant for over 20 years and without this incentive it could be vacant for another 20 years. With a TID there is an expectation of an increased property tax base in 15-20 years depending on the completion of the project.

6. What types of projects will the City undertake within the TID?

State Statutes provide the City with significant flexibility with respect to how TID funds are spent. The City will provide development incentives through a Development Agreement with a developer. These incentives will be paid on a “Pay As You Go” basis, meaning the City is only obligated to make the incentive payments to the extent that tax increments are actually generated and realized. If the development is not completed, or does not achieve its minimum required valuation, no incentive payments will be paid. All TID projects or incentives must be approved by the City Council. The City is not taking on any projects. The costs are detailed in the “Project Plan” for the TID and are the full responsibility of the developer. The Project Plan serves as a guide and planning tool for the City Council.

7. Will City dollars be used to support project costs within the TID?

The City can use non-TID dollars to support projects and initiatives within the TID. Eligible TID costs, if any, paid by the General Fund or Utilities can be reimbursed by the TID with interest once increment is available. To date the City has incurred legal expenditures and administrative fees.

8. Does the TID change the zoning for my property?

No. The TID does not change existing zoning already in place.

9. Does the TID make it easier for the City to use eminent domain?

No. The process identified within State Statutes for eminent domain is the same whether a property is within a TID or outside a TID.

10. Who decides how the TID is used and what projects occur within the TID?

The City Council determines how funds are spent within the District and establishes the overall vision for the TID. The TID is a long-term economic development initiative and partnership with the other taxing jurisdictions. Priorities and expectations for the TID will need to be updated and reestablished during the life of the District as economic conditions change.

11. What is the benefit to creating a TID and why would the City consider it?

Without the use of TID, the City has determined development within the TID would not occur; or would not occur in the manner, at the values, or within the timeframe desired by the City. The City finds that absent the implementation of a TID, additional development of the area is unlikely to occur.