

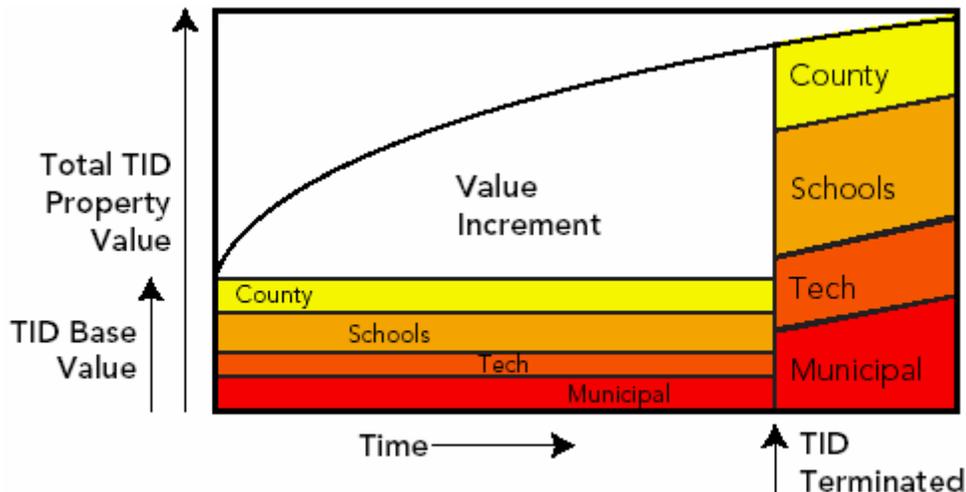
Tax Incremental Financing – TIF – What is TIF and What is the approval process for TIF projects in the City of Milwaukee?

Tax Incremental Financing (TIF) districts were initially authorized by state statute in 1975 as a redevelopment vehicle for cash-strapped municipalities. The City of Milwaukee has used TIF to finance approximately 85 projects. The mechanism allows cities to capture increased tax revenues generated by economic development projects and to use this money to pay back city funds injected at the front end of the development, most often for streets, sewer, environmental remediation or other site improvements. TIF provides municipalities with incentive to provide upfront capital for redevelopment projects because the municipality is assured a steady future revenue source to pay off upfront costs.

In creating a TIF districts, the City of Milwaukee must first formulate a detailed project plan for the development or redevelopment of a specific geographic area called a Tax Increment District (TID). For the most part, TIF and TID are terms that are interchangeable. In the City of Milwaukee, a TIF project plan must be approved by several bodies. First, the project receives a hearing before the **Joint Review Board**, which is made up of five (5) representatives – one each from the City of Milwaukee, Milwaukee County, Milwaukee Public Schools (MPS), and the Milwaukee Technical School System – and a citizen representative. After an initial hearing before the Joint Review Board, the **Redevelopment Authority of the City of Milwaukee (RACM)** holds a public hearing on the TIF project and votes on the project. After RACM action, the Milwaukee Common Council's **Zoning & Neighborhood Development (ZND) Committee** holds a hearing on the TIF project. Once adopted by the ZND Committee, the project is either approved or rejected by the full **Common Council**. Upon adoption by the Common Council and approval by the **Mayor**, the **Joint Review Board** makes a final recommendation on the project.

Once the TIF project receives appropriate approvals, local assessors and the State of Wisconsin Department of Revenue determine a “base value” for all the property in the district. As the city and/or the developer make improvements in the district, property values (and the accompanying taxes) increase. The taxes on all property value growth over and above the base value (shown below as “value increment”) are used to pay off the city’s upfront investments in the district – with interest.

In this way, the main taxing jurisdictions in the area (city, county, MPS, technical schools) become “partners” in development and ensure the completion of projects that – per state statute – would not occur “but for” the public participation. Once all the project costs are repaid, the district is terminated and all the taxing jurisdictions receive tax revenue from the full value of the district (both the base value and the increment). State statute allows 27 years to pay off all TIF costs; the average payback period in the City of Milwaukee is approximately 18 years.



Source: Modified from Wisconsin Department of Revenue City/Village Tax Incremental Financing Manual, Chapter 1, Section 2, "How Does TIF Work".