

1.5 TIF Glossary

It is important to identify the difference between "TIF" and "TID" as it is used in this manual:

- **"TIF"** – Tax Incremental Financing; a financing tool available to Cities, Villages and Towns to encourage economic development that would not occur without public assistance.
- **"TID"** – a Tax Increment District; the contiguous geographical area within a municipality consisting solely of whole units of property as are assessed for general property tax purposes not including railroad rights of way, rivers or highways, or wetlands as defined in sec.23.32, Wis. Stats.

Other important concepts are defined below:

- **"Annexation"** – Town territory annexed by a City/Village after January 1, 2004 cannot be included in a new TID, or added to an existing TID, unless one of the following applies:
 - at least three years have passed since the annexation occurred,
 - the City/Village enters into a cooperative boundary agreement with the Town, or
 - the City/Village and Town enter into another kind of agreement relating to annexation.
- **"Amendment"** – They can be done separately or simultaneously to any active TID. The first three types require a hearing, resolutions and final approval by the JRB. All amendments must be submitted to Department of Revenue (DOR) for approval. Here each type of amendment is described.
 - **"Allocation Amendment"** – before all project costs are paid for and not later than the extended maximum life of the TID, a municipality may decide to allocate the excess tax increment from one TID (donor TID) to another TID (recipient TID) to help the recipient pay off debts sooner. See [Allocation Amendment Fact Sheet](#) for details.
 - **"Project Plan Amendment"** – at any time during the life of the TID, the planning commission may adopt an amendment to a project plan that adds projects and eligible project costs. These amendments must be very specific in nature, adding specific projects including costs and description, and an updated pro forma that shows these new projects can be paid for with increment revenue.
 - **"Territory Amendment"** – the area of a TID may be modified up to four times during the life of a TID, either by adding territory that is served by the public improvements funded by the TID, or by subtracting territory, but TID contiguity must be preserved. Note: an amendment that contains both an addition and subtraction counts as only one amendment. In addition, when adding territory, the 12% valuation limit applies, restricting the share of territory that can be designated in TIDs within the municipality. For an amendment which contains both an addition and subtraction, the addition segment must comply with the 12% value limitation, prior to the subtraction being done.
 - **"Extension Amendment"** – the municipality may request that the maximum life of a TID be extended through a resolution by the Joint Review Board (JRB). If the request includes an independent audit that demonstrates that the extended life

- is needed to collect sufficient revenue to pay for projects, the JRB must pass the resolution. If no such audit is offered, it is left to the discretion of the JRB members to grant or deny the extension. The length of the extension depends on the type of district (see [Criteria Matrix](#) for details).
- **"Affordable Housing Amendment"** – if the municipality has paid off its project costs and it is before the maximum life of the TID, they may adopt a resolution to extend the life of the TID for no more than one (1) year and authorize the allocation of tax increments to improve the municipality's housing stock.
 - **"Base Value Redetermination Amendment"** – a municipality may request that the base value of a TID be redetermined if:
 - [TID's Equalized Value](#) (see *Tax Incremental Value Reports*) must be at least 10% below the current base value of the TID for two consecutive years (decrement)
 - Municipality's resolution date stating a decrement exists will determine the two consecutive years (ex: May 21, 2014 resolution date requires **both** the 2012 and 2013 TIDs to be 10% below the TID's current base value)
 - TID must be created under state law ([sec. 66.1105, Wis. Stats.](#))
 - One base value re-determination is allowed during the life of a TID
 - **"Base Value"** – the aggregate value, as equalized by DOR, of the real, personal, non-exempt municipal-owned property located within the TID as of the valuation date.
 - **"Blighted Area"** – the TIF Law provides two specific meanings for the designation of blight, neither of which includes any open lands that have been developed only for agricultural purposes:
 - an area in which the structures, buildings or improvements contribute to ill health, transmission of disease, infant mortality, juvenile delinquency, or crime and are detrimental to the public health, safety, morals or welfare, by reason of dilapidation, deterioration, age or obsolescence, inadequate provision for ventilation, light air, sanitation or open spaces, high density population and overcrowding, or the existence of conditions which endanger life or property by fire and other causes.
 - an area which is predominantly open and which consists primarily of an abandoned highway corridor [as defined in [sec. 66.1333 \(2m\)\(a\), Wis. Stats.](#)], or that consists of land upon which buildings or structures have been demolished and which because of obsolete platting, diversity of ownership, deterioration of structures or of site improvements, or otherwise, substantially impairs or arrests the sound growth of the community.
 - **"Boundary Agreement"** – this type of agreement between two municipalities allows territory that was annexed from a Town after January 1, 2004 to be included in a TID without three years having passed since the annexation. [Sec. 66.0307, Wis. Stats.](#), provides for the boundary agreement mentioned in TIF Law, and a summary appears later in this manual.
 - **"Cash Grants"** – payments made to owners, lessees or developers of property included in a signed development agreement.
 - **"Class 1 Notice"** – the creation or amendment of a TID requires a notice of all joint review board meetings held according to the rules found in [ch. 985, Wis. Stats.](#) The important element of this section states that the public notice be published in a

newspaper that is likely to give notice to the persons or place affected by the TID, the insertion must be at least 5 days before the JRB meetings. The notice must say when, where and for what purpose the JRB meeting is being held.

- **"Class 2 Notice"** – the creation or amendment of a TID requires a public hearing that must be noticed according to the rules found in ch. 985, Wis. Stats. The important elements of this section include that the public notice be published in the newspaper that is likely to give notice to the persons or place affected by the TID, the insertion must be once in each of two consecutive weeks, and the second publication must be at least seven days before the public hearing which is being noticed. The notice must say when, where and for what purpose the public hearing will be held.
- **"Creation"** – the process of identifying a contiguous geographic area to be targeted for development and submitting an application requesting DOR to certify a base value for this area, designating it as a TID.
- **"Creation Date"** – the date that the local governing body adopts the creation resolution for the TID. The creation date indicates when the expenditure period begins for the TID. Only costs related to planning for the TID can be incurred before the creation date.
- **"Current Value"** – the total equalized value of the real and personal property in the TID as of January 1 of the current year certified annually on September 1.
- **"Decrement Situation"** – when the aggregate value, as equalized by DOR, of all taxable property located within the TID on or about the date on which a municipal resolution is adopted is at least 10 percent less than the current tax incremental base of that district.
- **"Distressed Tax Incremental District"** – a tax increment district that has been created before October 1, 2008 by which the local legislative body adopts a resolution finding that project costs incurred exceed the amount of expected revenues generated (from all sources) during the life of the district. (Under current law, the classification expires on October 1, 2015.)
- **"District Types"** – sec. 66.1105 (4) (gm) 6., Wis. Stats., states that the local legislative body must declare a **single** type for each district as part of the resolution creating the TID. The four types of TID are "Blighted District", "Rehabilitation or Conservation District", "Industrial District", and "Mixed-use District". The declaration is based on the type of land that makes up 50% of the area in the TID, or which of the four is predominant with regard to the area in the TID.
- **"Expenditure Period"** – the time during which expenses may be incurred for the implementation of the approved project plan and the completion of the projects outlined therein. The current maximum expenditure period for all districts ends five years before the unextended maximum life of the TID.
- **"Extending TID Life"** – [see Section 2.2](#) TIF Amendment for more details on getting an extension to the maximum life of a TID.
- **"Industrial Development"** – land suitable for industrial sites within the meaning of sec. 66.1101, Wis. Stats. Any real property within a TID that is found to be suitable

TID Expenditure Period

TID Type	Max Exp.
Any before 10/95	22 years
Blight/Rehab after 10/95	22 years
Industrial after 10/95 but before 10/04	18 years
Ind. or Mixed-use after 10/04	15 years

for industrial sites and is zoned for industrial use must remain zoned for industrial use for the life of the TID.

- **"Joint Review Board"** (JRB) – a municipality may choose to create a JRB for each TID it creates, or one Standing JRB that hears and votes on all TID creation and amendment actions in the municipality. The first organizational meeting (within 14 days of public notice and before the public hearing) must be held to appoint the public member and select a chair whether standing or temporary. A standing JRB will remain in existence until the municipal governing body chooses to disband it. See [Chapter 3](#) (JRB Guide) for more information.
- **"Mixed-use Development"** – a development with a mix of residential, commercial, and industrial uses. These types of developments are allowed to include newly-platted residential development, if they do not exceed 35%, by area, of the real property in the TID, according to the following limitations:
 - **"Newly Platted Residential"** – residential developments on a previously undeveloped parcel of land that was not divided for residential lots. This would include subdividing a farm field for housing. TIF law only allows for increment revenue to be spent on newly platted residential development in mixed-use TIDs if one of the following three applies:
 - density of the residential housing is at least 3 units per acre.
 - residential housing is located in a conservation subdivision, as defined in sec. 66.1027(1)(a), Wis. Stats.
 - residential housing is located in a traditional neighborhood development, as defined in sec. 66.1027(1)(c), Wis. Stats.
- **"Municipality"** – a City, Village or Town. Schools, counties, technical college districts and special districts are not considered municipal governments; for the purposes of TIF, they are overlying taxing jurisdictions.
- **"Non-project Costs"** – as part of the redevelopment plan, there may be investments that are not eligible for TIF, or that are paid for with revenue other than tax increment revenue – such as a grant. The non-project costs must be detailed in the project plan.
- **"Overlying Taxing Jurisdiction"** – every City, Village and Town is part of several other taxing jurisdictions such as school districts, county governments, technical college districts and other special districts (such as sanitary or sewer districts or lake rehabilitation districts). A representative from the county, municipality, school and technical college districts serves on the JRB. Note: If more than county, school or technical district, the district in which the greatest value of property shall choose the representative. The tax increment generated by the levies of each of these jurisdictions is turned over to the municipality that manages the TID to pay for the approved project costs.
- **"Multijurisdictional District"** – a TID created by two or more cities that have entered into an intergovernmental cooperation agreement under sec. 66.0301, Wis. Stats.
- **"Planning Commission"** – a plan commission created under sec. 62.23, Wis. Stats., or a board of public land commissioners if no plan commission exists, or the plan committee of the local governing body if no board or commission exists in that municipality. TIF actions designated to be carried out by the planning commission

may be designated by ordinance or resolution to be done by the Redevelopment or Community Development Authority or Housing Authority of the municipality.

- **"Project Costs"** – any expenditure made or estimated to be made that can be paid for with tax increment revenue. The state does not make decisions on the eligibility of specific project costs. Each municipality must, in consultation with their legal and accounting advisors, make the decision for themselves as to the eligibility of a project or specific cost based on the guidance provided here and in TIF law.
 - **"Expenditure"** – the exchange of money for the delivery of goods or services. No expenditure may be made before the date the project plan is approved by the local governing body, except for costs directly related to planning for the TID. TIF law identifies the following as eligible expenditures:
 - Capital costs including, but not limited to, public works; new buildings or structures; demolition, remodeling, repair or reconstruction of existing buildings; environmental remediation; and the clearing of land.
 - Financing costs including, but not limited to, interest paid to bond holders, and premiums paid for early redemption of bonds.
 - Property assembly costs, which consist of deficit incurred due to the sale or lease of land within a TID for less than its cost to the municipality.
 - Professional services including, but not limited to, planning, architectural, engineering, accounting, and legal advice and sales.
 - Administrative costs for municipal employees directly related to creating the TID or time spent implementing the TID project plan.
 - Relocation costs including, but not limited to, those relocation payments made following condemnation under secs. 32.19 and 32.195, Wis. Stats.
 - Organizational costs related to environmental impact statements and public notices.
 - Payments made to a Town for property taxes levied on annexed land included in a TID.
 - The portion of major infrastructure projects (e.g. water tower, water treatment plant) inside or outside the TID that will serve the land in the TID.
 - Removal or containment of lead contamination in buildings or infrastructure that the municipality declares a public health concern.
 - Developing newly-platted residential areas in TIDs for which a project plan was approved before 9/30/1995, or in a mixed-use district according to their limits.
 - Cash grants if a development agreement is signed.
 - Fee to DOR to certify the base value of a TID.
 - **"Ineligible Project Costs"** – expenses that are incurred by the City that may not be paid for with the tax increment revenue from the TID. TIF law identifies the following as ineligible project costs:
 - Constructing or expanding administrative buildings, police and fire buildings, libraries, schools, recreation and community buildings, unless they were destroyed before January 1, 1997 by a natural disaster.
 - Constructing any building or facility if the municipality generally finances similar facilities only with utility user fees.

- General government operating expenses that are unrelated to the planning or implementation of the project plan.
- Cash grants made by the City to owners, lessees, or developers of land within the TID, unless the recipient has signed a development agreement with the municipality, a copy of which must be sent to the JRB or, if dissolved, retained in the official records of the TID.
- **"Project Plan"** – the plan, properly submitted and approved by DOR, for the financial development or redevelopment of a TID, including all properly approved amendments thereto.
- **"Public Hearing"** – as part of creating or amending a TID, the planning commission must hold public hearings to allow the members of the community to voice their opinion or concerns about the proposed TID. These hearings must be noticed in accordance with Class 2 notice requirements, and copies of the project plan must be made available.
- **"Rehabilitation or Conservation Work"** – necessary for the creation of a Rehabilitation and Conservation District, and defined for the purposes of TIF law in sec. 66.1337, Wis. Stats., the Urban Renewal Act. Includes any of the following, but these descriptions do not override the restrictions on project costs defined above:
 - Carrying out plans for a program of voluntary or compulsory repair and rehabilitation of buildings or other improvements.
 - Acquisition of real property and demolition, removal or rehabilitation of buildings and improvements on the property where necessary to eliminate unhealthful, unsanitary or unsafe conditions, lessen density, reduce traffic hazards, eliminate obsolete or other uses detrimental to the public welfare, to otherwise remove or prevent the spread of blight or deterioration, or to provide land for needed public facilities.
 - Installation, construction or reconstruction of streets, utilities, parks, playgrounds, and other improvements necessary for carrying out the objectives of an urban renewal project.
 - The disposition, for uses in accordance with the objectives of the urban renewal project, of any property acquired in the area of the project.
- **"Severely Distressed Tax Incremental District"** – a TID that has been created before October 1, 2008 which meets all the conditions of a distressed TID and whose value increment in any year has declined at least 25 percent from the district's highest value increment. (Under current law, this classification expires on October 1, 2015.)
- **"Substantial Compliance"** – if in the process of creating a TID certain requirements are not met a municipality may submit a written request to DOR asking to find substantial compliance. This finding means that despite certain errors, irregularities or informalities of the TIF law, a TID may be created since substantial justice has not been affected. This power allows DOR more flexibility in reviewing and approving TIDs.
- **"Tax Base"** – the total of all equalized real and personal property in an entire municipality or taxing jurisdiction on which property taxes are levied.
- **"Tax Increment"** – the taxes levied by all overlying taxing jurisdictions on the value between the base value and the current value of the TID, also known as the value

increment. These taxes are sent to the municipality who operates the TID, and used to pay for the approved project costs laid out in the project plan.

- **"Taxable Property"** – all the real and personal property located in a TID.
- **"Termination"** – the process of notifying DOR of the termination and the filing of appropriate audit materials with DOR and the overlying taxing jurisdictions. This process can be initiated by the municipality before all project costs are paid off, at which time those debts become the obligation of the municipality. Once tax increments are collected in excess of approved project costs, or the maximum life is reached, termination is required. [See 2.4](#) TIF Termination for more information.
- **"Value Increment"** – the difference in value between the base value and the current value. This is the amount of property value that can be attributed to the TIF investment, and as such this is the portion of the tax base that is used to generate the tax increment that pays for the investment.
- **"Valuation Date"** – the January 1 of the year the TID is created or amended. If the creation date is between October 1, 2013 and September 30, 2014, the valuation date is January 1, 2014. If the creation date is between October 1, 2014 and September 30, 2015, the valuation date is January 1, 2015.