

TIF TALKS.2



Please note: The following are potential strategies that communities can consider to maximize the impact of their tax increment districts. These ideas are based on our extensive experiences as economic development professionals in creating and implementing dozens of TID's throughout Wisconsin and the Midwest. We are not offering legal advice or municipal financial advice as defined in securities and Exchange Rule 15Ba1-1. Prior to taking any specific action relative to any of these strategies, communities should consult with their legal counsel and/or financial advisor to ensure compliance with all applicable laws and regulations.



SESSION 2:

Strategies for Turning Around an Underperforming TID

Growth and development in your TID may not be happening as you projected when you set it up. The TID may not be paying its own bills, causing additional stress for your community. Maybe some development got derailed while others did not reach their increment goals. Regardless of why your district is underperforming, here are some strategies to help your TID get back on track.

1) Reprioritize and Strategize Key Sites

Implementation is critical to long-term success of a TID. The first step is to evaluate properties in the district to identify the key sites that have the most short-term development potential. Once identified, you should prepare a strategy to attract new businesses and developers. This means jump-starting your TID by taking actions such as:

- Confirming with the property owners that the key properties are available for sale at reasonable prices
- Caking an option on a site or even purchasing a site
- Preparing marketing materials to promote the sites
- Providing information on the sites to your economic development partners and soliciting their assistance in marketing them
- Soliciting developers directly
- Finding developers through an RFP process



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In short, whether a TID is new or you find that your TID is underperforming, it is important to find the best sites and work actively to get them developed.

When we are called in to “fix” a broken TID, this is usually the biggest problem. Many TID’s get created to assist a single project with an expectation that other development will naturally follow. Unfortunately, that rarely happens. To realize the additional development, you need to be proactive meaning you need to know what sites you available, what types of development they’re best suited for, and have an active marketing and recruitment program.

If you find your TID with cash flow problems, the following items are short term fixes that may help.

2) Evaluate Outstanding Obligations

If your TID is struggling to make its debt payments, talk to your financial advisor to determine whether better terms may be available or if payments can be adjusted to coincide better with your cash flow. If interest rates have changed or the payback schedule is too aggressive, one option may be to refinance under better financial terms. With today’s historic low interest rates, all of your outstanding TID debt should be evaluated.

3) Evaluate Outstanding Development Agreements

Is the developer living up to their promises and hitting their development goals? If the financial projections aren't meeting goals (or if they are surpassing projections), they may need realignment. Review any claw-back provision to determine if adjustments are needed. It may be possible to free up increment to use for other things. Whether the assistance you provided was upfront or through a pay-as-you-go arrangement, it’s critical to ensure the developer is meeting their obligations and to explore the potential to restructure a deal where appropriate.

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4) Extend the District Life to Help Pay Off Debt

The life of a TID can be extended by up to three additional years if your district is going to fall short in paying off all of its debts prior to the end of its statutory life. Extensions require approval from the Joint Review Board and may necessitate an audit to prove the additional time is needed. At the moment, declaring districts distressed and getting several additional years to retire debt is not an option as it was following the Great Recession. However, it's possible the legislature could reauthorize this provision in the wake of the economic disruption caused by the pandemic, so stay tuned.

5) Base Value Redetermination

If the total value of your TID is 10% or less than the base value for two consecutive years, you can seek a base value redetermination by the Department of Revenue. This scenario can happen from changes such as buildings being torn down and not replaced, a reevaluation resulting in reduced property values, or properties becoming tax exempt. Base value redeterminations require approval of the Joint Review Board, and there are spending limitations that will be required as a tradeoff. However, if you have a newer district where this has occurred, the tradeoffs may be worth it.

Once a TID is established, the work is just beginning. Implementation is critical.

Contact **Scott Harrington** at Vandewalle & Associates to discuss TIF implementation or other TIF services at sharrington@vandewalle.com.

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www.vandewalle.com

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