



2013 SENATE BILL 456

December 20, 2013 – Introduced by Senators COWLES, GUDEX and SCHULTZ, cosponsored by Representatives WEININGER, BIES, OHNSTAD, GENRICH and KAHL. Referred to Committee on Economic Development and Local Government.

1 **AN ACT** *to amend* 66.1105 (2) (f) 2. d.; and *to create* 66.1105 (2) (Le) of the
2 statutes; **relating to:** expanding the definition of project costs to include
3 certain cash payments with regard to a tax incremental financing district.

Analysis by the Legislative Reference Bureau

Under the current tax incremental financing program, a city or village may create a tax incremental district (TID) in part of its territory to foster development if at least 50 percent of the area to be included in the TID is blighted, in need of rehabilitation or conservation, suitable for industrial sites, or suitable for mixed-use development. Currently, towns and counties also have a limited ability to create a TID under certain circumstances. Before a city or village may create a TID, several steps and plans are required. These steps and plans include public hearings on the proposed TID within specified time frames, preparation and adoption by the local planning commission of a proposed project plan for the TID, approval of the proposed project plan by the common council or village board, approval of the city's or village's proposed TID by a joint review board that consists of members who represent the overlying taxation districts, and adoption of a resolution by the common council or village board that creates the TID as of a date provided in the resolution.

Also under current law, once a TID has been created, the Department of Revenue (DOR) calculates the "tax incremental base" value of the TID, which is the equalized value of all taxable property within the TID at the time of its creation. If the development in the TID increases the value of the property in the TID above the base value, a "value increment" is created. That portion of taxes collected on the

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value increment in excess of the base value is called a “tax increment.” The tax increment is placed in a special fund that may be used only to pay back the project costs of the TID.

The project costs of a TID, which are initially incurred by the creating city or village, include public works such as sewers, streets, and lighting systems; financing costs; site preparation costs; and professional service costs. DOR authorizes the allocation of the tax increments until the TID terminates or, generally, 20 years, 23 years, or 27 years after the TID is created, depending on the type of TID and the year in which it was created. Also under current law, a city or village may not generally make expenditures for project costs later than five years before the unextended termination date of the TID. Under certain circumstances, the life of the TID, the expenditure period, and the allocation period may be extended.

Under current law, project costs may not include cash grants made by a city or village to owners, lessees, or developers of land within a TID unless the grant recipient has signed a development agreement with the city or village. This bill creates another exception to the general prohibition of a city or village including such cash grants as project costs of a TID.

Under the bill, such a cash grant may be made to a landlord in a tech park if the landlord certifies to the city or village that the landlord is renting to the landlord’s tenants at below market rates and that the landlord will pass on the value of the cash grant to the tenants or researchers who are located within the tech park within five years of the landlord’s receipt of the grant.

For further information see the *local* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 66.1105 (2) (f) 2. d. of the statutes is amended to read:
2 66.1105 (2) (f) 2. d. Cash grants made by the city to owners, lessees, or
3 developers of land that is located within the tax incremental district unless one of the
4 following applies: the grant recipient has signed a development agreement with the
5 city, a copy of which shall be sent to the appropriate joint review board or, if that joint
6 review board has been dissolved, retained by the city in the official records for that
7 tax incremental district; or the grant recipient is a landlord in a tech park and the
8 landlord certifies to the city that the landlord is renting to the landlord’s tenants who
9 are located within the tech park at below market rates, and that the landlord will

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1 pass on to the landlord's tenants or researchers who are located within the tech park,
2 within 5 years of receipt of the grant, in the form of reduced rent, capital equipment,
3 or furniture, value that is at least equal to the amount of the cash grant.

4 **SECTION 2.** 66.1105 (2) (Le) of the statutes is created to read:

5 66.1105 (2) (Le) "Tech park" means a real estate development that is dedicated
6 to the promotion of science and technology businesses, including agriculture,
7 advance manufacturing, engineered products, information technology, medical
8 devices, and medical imaging.

9 **SECTION 3. Initial applicability.**

10 (1) This act first applies to a tax incremental district whose project plan is
11 approved or amended on the effective date of this subsection.

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(END)