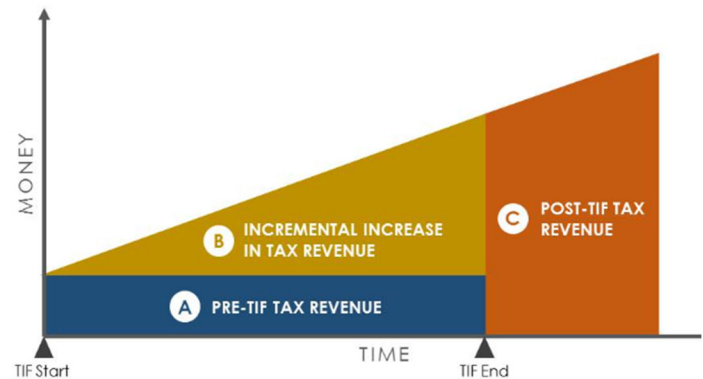


CITY OF LA CROSSE TAX INCREMENT FINANCING POLICY

What is TIF?

Tax Increment Financing (TIF) is a funding tool available to local municipalities that spurs economic development which otherwise would not occur. When a Tax Incremental District (TID) is created property owners within the district continue to pay the same property tax rates as those outside the district. The difference is that tax collections, over and above the “base value” are placed into a special fund that is used to pay for project costs associated with that TID. Once the TID is closed the additional property taxes created are shared by all taxing entities.

The use of TIF varies from project to project and district to district. In some cases, the City might use TIF to promote redevelopment of an area. In other cases, the City might use TIF to create industrial parks through land acquisition and construction of infrastructure. Regardless, increased property tax collections are used to keep the TID financially healthy and for the benefit of improving the district and immediate surrounding area.



Purpose:

The purpose of this Policy is to articulate the City of La Crosse’s desire to promote economic development that is consistent with the City’s Comprehensive Plan and provides a community benefit that will ultimately be shared by all taxing entities (City, School District, Technical College, County, and State) impacted through the establishment of a TID.

Notwithstanding compliance with any or all of the guidelines herein, the provision of TIF assistance is a policy choice to be evaluated on a case-by-case basis by the Economic and Community Development Commission (ECDC) and the Common Council. The burden of establishing the public value of TIF shall be placed upon the applicant and the application must substantially meet the criteria contained herein. City Staff reserves the right to bring any TIF proposal forward for ECDC and Council consideration.

Meeting statutory requirements, policy guidelines or other criteria listed herein does not guarantee the provision of TIF financial assistance nor does the approval or denial of one project set precedent for approval or denial of another project.

TIF Authority:

The authority and regulations for Tax Increment Financing and the establishment of Tax Incremental Districts are found in Wis. Stats. 66.1105. The City of La Crosse reserves the right to be more restrictive than provided under the statutes.

Basic Provisions:

As a matter of policy, the City of La Crosse will consider using TIF to assist private development in those circumstances where the proposed private project shows a **demonstrated financial gap** and that the financial assistance request is the minimum necessary to make the project feasible. The developer is expected to have exhausted every other financial alternative(s) prior to requesting the use of TIF, including equity participation, other federal and state funds, bonds, tax credits, loans, etc.

Prior to consideration of a TIF request, the City will undertake (at the requestor's cost) an independent analysis of the project to ensure the request for assistance is valid.

In requesting TIF assistance, the developer must demonstrate that there will be a substantial and significant public benefit to the community by eliminating blight, strengthening the economic and employment base of the City, positively impacting surrounding neighborhoods, increasing property values and the tax base, creating new and/or retaining existing jobs, growing the quality and quantity of the City's housing stock, and/or implementing the Comprehensive Plan and/or other community planning documents.

Each project and location is unique and therefore every proposal shall be evaluated on its individual merit, including its potential impact on city service levels. Each project must demonstrate probability of financial success.

Each for-profit project demonstrating a need for TIF assistance must generate sufficient tax increment to cover or repay both the TIF contribution to the project, administrative and professional costs and a portion of the planned public infrastructure costs within the TID. The City will expend an appropriate amount for public infrastructure and improvements that will be paid back through the TIF. These improvements include, but are not limited to, streetscaping, and pedestrian enhancements.


"BUT FOR" TIF

The fundamental principle, and that which the City must determine through information provided by the developer, is that the project would not occur "but for" the assistance provided through TIF. The burden is on the developer to make this case to the City and not the City to make this case for the developer. Should this "but for" determination not be made, TIF assistance for the project cannot be provided.

TIF Objectives:

The City will consider utilizing TIF to meet the following basic objectives:

1. Stimulate revitalization of the City, its ~~older~~ neighborhoods, industrial areas, commercial districts and Historic Downtown La Crosse by:
 - a. Improving infrastructure;
 - b. Meeting job creation requirements as referenced in the City's Living Wage Resolution as amended or superseded;
 - c. Retaining existing jobs;
 - d. Creating a variety of housing and mixed-use commercial/housing opportunities to increase the number of ~~downtown~~ residents;
 - e. Attracting desirable businesses and retaining existing businesses;

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- f. Encouraging development projects that enhance the streetscape and pedestrian experience and improve the vitality of the downtown area by adding interest and activity on the first floor of mixed-use buildings;
 - g. ~~Promoting~~ Increasing use of mass transit by actively promoting and participating in the MTU Works pass program for employees.
2. Promote efficient usage of land through elimination of blight and redevelopment of underutilized properties.
 3. Support an educated workforce and strengthen the employment base of the City overall.
 4. Stabilize and upgrade ~~targeted~~ neighborhoods.
 5. Increase property values, tax base and tax revenues.
 6. Leverage the maximum amount of non-City funds into a development and as a result flow back into the community.
 7. ~~Align with the City's carbon neutrality efforts. Reduce communitywide greenhouse gas emissions by 40-50% of 2019 GHG emissions by 2030, and reaching carbon neutrality by 2050.~~
 8. Further strengthen the City's role as the hub and economic center for the larger region.
 9. Foster diversity both among business type/industry and demographic make-up of the business owners, employers, and employees.
 10. Stimulate and/or support place-making initiatives.
 11. Address economic equity within the City.
 12. Improve economic resiliency within the City.
 13. Contribute to other unique projects or programs not listed that provide public benefits.

What Development is Eligible?

The type of development that the City will consider TIF funding includes:

1. Business development (attraction, retention, expansion). TIF assistance will be evaluated on its impact on existing local markets.
2. Mixed-use developments that creatively integrate commercial and retail projects into a residential development.
3. Revitalization of historically significant or deteriorated buildings.
4. Projects that promote ~~downtown~~ office and retail development.
5. Projects that promote neighborhood stabilization or revitalization.
6. Projects that promote industrial development.
7. Projects consistent with approved TIF Project Plans.
8. Projects that involve environmental clean-up, removal of slum and blighting conditions.
9. Projects that contribute to the implementation of other public policies, as adopted by the city in its strategic plans such as promotion of high-quality architectural design, energy conservation (~~i.e. LEED, Energy Star, etc~~), green infrastructure, etc.
10. Projects that provide retail, housing and mixed uses in existing commercial nodes and city gateways (e.g. Caledonia Street, I-90/Exit 3).
11. Whole-building energy modeling (BEM) for new construction and building retrofits.
12. Renewable energy, including solar photovoltaics, geothermal, and wind energy.
13. Microgrid technology that can support renewable energy and energy reliability.
14. "Green roofs" where rooftop vegetation absorbs stormwater and improves energy efficiency. Green roofs that include gardens that can capture and retain stormwater.

15. “Blue roofs” where the rooftop provides temporary stormwater storage and then gradually released after storm events.~~Blue roofs that capture and store stormwater to mitigate runoff effects.~~

16. Under-parking water retention systems that capture and store stormwater to mitigate runoff effects.

17. Stormwater management best practices that are above the State mandate.

18. Purple pipe reclaimed water piping systems.

19. Site-specific public art projects.

What Development is Ineligible?

The City will not use TIF funding to help support the following types of development:

1. Speculative office development (projects that have no secured tenants).

2. Relocation of offices, retail and/or commercial uses within the City for purposes other than retaining or substantially expanding the business.

~~3. Office or retail development outside of Downtown unless within a redevelopment project that is targeting mixed use commercial/office and residential such as Caledonia Street and the I-90/Exit 3 commercial nodes.~~

~~4.3. Standalone big box commercial. Standalone student housing.~~

~~5.4. Projects not consistent with the Comprehensive Plan and other City plans, such as the Imagine 2040 plan and Climate Action Plan.~~

~~6. Energy efficiency improvements (including high efficiency windows or shadings, energy efficient appliances, LED lighting, enhanced insulation, et cetera) within a building. These are expected in all TIF projects, but they are not TIF-eligible costs.~~

~~7. Projects that increase the City's carbon emissions.~~

Eligible Costs:

TIF eligible expenditures are defined by Section 66.1105(2)(e) of Wisconsin Statutes, which the City of La Crosse may further limit on a project by project basis. The following are typical eligible costs.

1. Capital costs, including actual costs of:

a. Construction of public works or improvements;

b. Construction of new buildings, structures, and fixtures;

c. Demolition, alteration, rehabilitation, repair or reconstruction of existing buildings, structures and fixtures, other than historic buildings and structures.

d. Acquisition of equipment to service the district;

e. Restoration of soil or groundwater affected by environmental pollution; and

f. Clearing and grading of land.

2. Real property assembly costs.

3. Professional service costs (planning, architectural, engineering, and legal).

4. Relocation costs.

5. Environmental remediation.

6. Organizational costs (environmental and other studies, publication and notification costs).

Criteria for TIF Assistance:


All of the following financial criteria must be met in order to be considered for TIF assistance.

- 1) *Equity Requirement.* Developers must provide a minimum 15% equity of total project costs. Projects that exceed the 15% equity requirement will be looked upon favorably by the City. Equity is defined as cash or un-leveraged value in land or prepaid costs attributable to the project. ~~City assistance shall not exceed the amount of equity provided by the developer.~~ Donated developer or construction management fees shall not be considered as equity investment. TIF shall not be used to supplant cash equity.
- 2) *Payback Period.* 20-year maximum payback period. Preference will be given to projects with payback periods of 10 years or under.
- 3) *TIF Cap.* The total amount of TIF assistance should not exceed ~~10~~20% of the increase in taxable valuation. This limitation may be modified by special consideration as is outlined below.
- 4) *Land Assembly Cap.* TIF assistance for land/property assembly costs will not be provided in an amount exceeding 10% of the fair market value of the land. The fair market value will be determined by an independent appraiser contracted by the City with cost of appraisal paid for by developer.
- 5) *Sale of City-owned land.* For development projects involving the sale of City-owned land, the procedures in the City's Ordinance, Article IX, Sec 2-405 must be followed.
- 6) *Internal rate of return.* The amount of assistance provided to a developer will be limited to the amount necessary to provide the developer a reasonable rate of return on investment in the project and the subject site. A developer's return on equity, return on cost or internal rate of return will be based on current market conditions as determined by the City or City's financial advisor. In no case shall the internal rate of return exceed 30 percent.
- 7) *Taxable increase.* The project should result in an increase in taxable valuation of at least 20 percent upon project completion.
- 8) *Living wage requirements.* The City has adopted, by resolution, a policy that developments that are provided City assistance must pay their employees a "living wage." Any agreement for financial assistance shall include provisions that ensure the publicly assisted projects pay a living wage to their employees.
- 9) *Payment in Lieu of Taxes (PILOT).* In the event that some or all of the property, developments, improvements, personal property, or real estate becomes exempt from general property taxes the developer shall make a payment to the City in lieu of taxes (the "PILOT").
- 10) 85% Rule. No more than 85% of the net present value of the tax increment generated by a private development shall be made available to the project.

Special Consideration

Special or additional consideration, and/or better terms may be considered for projects that exceed certain standards such as:

- 1) Use of higher quality building materials;
- 2) Demonstration of a higher standard of urban design (e.g., mixed use, add vitality to commercial districts by adding interest and activity on the first floor of mixed-use buildings, etc.);

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- 3) ~~Promotion of sustainable practices in their construction and operation such as~~ Meeting Leadership in Energy and Environmental Design (LEED), Net Zero Energy Building, Living Building Challenge, Energy Star, ~~or Green Globes, or other green building~~ certification requirements;
 - 4) Providing environmental sensitivity or protection of natural resources;
 - 5) Any additional performance standards which enhances the overall quality of life;
 - 6) Demonstrable efforts to increase the percentage of newly hired and retained employees who reside within the City limits of the City of La Crosse;
 - 7) Support an educated and skilled workforce;
 - 8) Projects that have a payback in fewer than ten years;
 - 9) Environmental abatement or clean-up;
 - 10) Historic rehabilitation;
 - 11) Redevelopment of existing structures;
 - 12) Assembly and clearance of land upon which existing structures are located;
 - 13) Manufacturing projects;

~~At least 40% of project work will be completed by city residents~~



Process of TIF Approval:

- 1) A pre-application meeting is held between the developer and the City.
- 2) A Tax Incremental Financing Application is submitted by the developer to the City. ~~Application for financial assistance shall include a cover letter and shall be made on the forms provided by the City and include all of the information requested on the form.~~ An initial nonrefundable fee of \$10,000 ~~or 1% of TIF assistance requested, whichever is greater, with a \$25,000 maximum fee.,00,~~ shall accompany ~~any financial assistance request~~the application. This fee shall be used to partially cover the City's legal, professional, administrative, and planning costs. ~~Costs exceeding [A1] \$2,000.00 to hire outside consultants by the City to analyze funding requests including, without limitation, evaluating the gap and/or determination of financial need and the project's return on investment (ROI) shall be paid for by the applicant and will not be considered part of the fee [A2].~~ If an additional amount of money is required to reimburse the City of its reasonable costs, the applicant shall be responsible for those costs. If the application is made and the project does not move forward, the application fee, minus documented City expenditures for the project, will be refunded to the applicant. The applicant shall, at a minimum, provide the following information:
 - a) A detailed project plan, timetable including plans and/or drawings for the project, architectural analysis, phase I environmental assessment, appraisals, and evidence of site control.
 - b) A business plan created in conjunction with the UW-La Crosse Small Business Development Center or reviewed by an entity determined by the City. If the business is not following traditional business planning models, initial planning document acceptable to the City will be submitted. A business plan will be submitted to the City within one year of business start-up.
 - c) Background information on the developer, complete listing (name and address) of all investors in the project and specify each individual's ownership interest.

- d) The articles of incorporation for the business, borrowing resolutions, operating agreements, and other applicable documents verifying that the entity is in good standing.
- e) A current balance sheet and operating (profit/loss) statements for the last three years.
- f) The developer shall submit audited financial statements for the last three years. If the audited statements are comparative, only two years are needed. If audited statements are not available, the developer shall provide three years of annual financial statements and summary schedules for other projects completed or started within the three-year timeframe covered by the financial statement for the current year. Upon request, the City may permit these documents to be provided directly to the City's financial advisor or developer's financial advisor to protect proprietary or confidential information.
- g) Only if deemed necessary, arrangements will be made by City Staff to view Ppersonal financial statements of the officers. (to be provided only to Director of Finance/Treasurer or financial consultant for review).
- h) A preliminary financial commitment from a financial institution.
- ~~i) A list of current employees, their job titles and benefits and a list of titles and descriptions, with benefit package of projected jobs.~~
- ~~jj) A detailed pro forma showing income and expenses for the project including a feasibility analysis justifying illustrating why assistance is necessary.~~
- ~~kk) Market studies, signed letters of intent from prospective tenants, any market or feasibility analysis, appraisals, and all information provided to private lenders for the project as well as any other information or data which the City, or its financial consultants may require in order to review the need for financing assistance.~~
- ~~kk) Transportation demand management plan for operations over 100 employees and residents. Examples of TDM practices include paid parking or parking cash-out options, transit-oriented development, employer/landlord sponsored bus passes, accommodations for ridesharing, and site design prioritizing pedestrians and bicyclists.~~
- ~~mm) Sustainability Plan for operations over 100 employees and residents. Plan elements include a sustainability vision, mission, and values statement; an assessment of your current sustainability performance; goals and priorities for improvement; and actions for achieving them. The assessment should address opportunities and challenges of minimizing waste and reducing greenhouse gas emissions. It should also include baseline measurements for your goals. The actions should address energy, waste, buildings, products, packaging, supply chain, transportation, food, water, community, and employee wellbeing.~~
- 3) Once an application is deemed complete and City staff conducts its due diligence, the Economic and Community Development Commission ~~or its staff to develop will review~~ the appropriate term sheet and review and approve/deny the corresponding development agreement.
- 4) The Economic and Community Development Commission shall issue a report and recommendation to the Common Council, including the approved a draft term sheet ~~or and proposed~~ development agreement for action.
- 5) Follow approval from Common Council: Execution of the Development Agreement between the City and Developer.

Structure for Tax Incremental Financing Assistance:

- 1) TIF assistance may be provided by the City in a form and method acceptable to the City. Requests for up-front financing may be considered on a case-by-case basis if increment generation is sufficient to meet initial financing and debt service costs and are not the first dollars spent on a project.
- 2) For "pay-go" and reverse cash grant structured projects, the project owner shall agree to pay all other outstanding City of La Crosse property tax bills and special assessments prior to disbursement of any payments by the City. No Mortgage Guarantees. The City will not provide mortgage guarantees.
- 3) Personal guarantees. The City will require personal guarantees from the investor, borrower and members for receiving financial assistance. Amount and form shall be acceptable to the City.
- 4) The City will retain an administrative fee of not less than 15% of any tax increment received from the project to reimburse for administrative costs.
- 5) When the project is intended as a for-sale development (i.e., office, mixed use retail/residential), the developer must retain ownership of the overall project until final completion; provided, however, that individual condominium units may be sold as they are completed. For all other projects, the developer must retain ownership of the project at least long enough to complete it, to stabilize its occupancy, to establish the project management and to initiate payment of taxes based on the increased project value. Transfer of ownership or the addition of owners/members or changes to
- 6) Ownership/member percentages shall first be approved as an amendment to the developer's agreement.
- 7) Projects receiving assistance will be subject to a "look back" provision. The look back mandates a developer to provide the City or its financial advisor with evidence of its annualized cumulative internal rate of return on the investment (IRR) at specified periods of time after project completion. The IRR shall be calculated with equity, revenues, and expenses in accordance with generally accepted accounting principles.
 - a. When the developer owns the subject property and rents space to tenants, supporting documentation shall include certified records of project costs and revenues, including lease agreements and sales on a per square foot basis at no cost to the City. If the records indicate that the developer has received a higher return on equity, a higher return on cost, or a higher internal rate of return than originally proposed to the City at the time of the development agreement, the developer and the City shall split, on a 50/50 basis, the increase above the originally projected rates of return.
 - b. When the subject property is a for-sale development and the IRR cannot be completed, the developer is to provide financial data after the project is completed at no cost to the City. This shall include a calculation of profit on total development costs minus the financial assistance. If the financial records indicate that the developer has received a higher return on equity, a higher return on cost, or a higher internal rate of return than originally contemplated at the time of development agreement approval, the developer and the City shall split, on a 50/50 basis, any increase at or above original projected rates of return.

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- 8) The property owner shall agree not to protest to the Board of Review or Circuit Court the Assessor's determination of the property value for the properties for which the grant is requested.