

# City of Richland Center Planning Commission

## Project & Initiative Update Report Form

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**Project:** Status of Tax Incremental District (TID) Creation  
**Department:** Economic Development  
**Meeting Date:** February 26, 2025  
**Status:** In Progress

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**STATUS UPDATE:** City personnel are currently conducting a comprehensive review of anticipated development projects and their potential locations to assess the necessity and type of TID. A recommendation to establish a TID will be contingent upon demonstrating a clear need for financial assistance to facilitate development that would not occur “but for” the creation of a TID. Staff will provide further updates as this evaluation progresses.

### Present Areas of Focus:

- **Project Evaluation:** Analyzing proposed development projects to determine their financial feasibility and alignment with city goals.
  - **"But For" Test Application:** Rigorously evaluating whether projects require TID assistance.
  - **TID Type Determination:** Assessing the appropriate TID classification (e.g., blight, rehabilitation, industrial) based on project location and needs, city plans, and statutory requirements.
  - **Timeline Analysis:** Evaluating the likelihood of near-term project commencement.
    - Staff will *not* recommend preemptive TID establishment for projects with distant timelines, to maximize the effectiveness of the TID's lifespan and expenditure period.
  - **Defining Economic Development Goals:** Establishing the primary objectives for the TID ensuring alignment with the comprehensive plan, long-term sustainable growth and development.
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### WHAT IS A TIF?

Tax Increment Financing (TIF) is a financial tool that allows municipalities to capture increased property tax revenue from a designated Tax Increment District (TID) and reinvest it in public improvements to stimulate growth. TIF is a critical instrument for local governments to drive economic growth, improve infrastructure, and revitalize underdeveloped areas while ensuring that all taxing jurisdictions benefit from increased property values.

### HOW DOES A TIF WORK?

When a TID is created, property tax revenue is frozen at its base level. As property values increase due to development, the additional tax revenue (the "increment") is used to fund public improvements and developer incentives.

### ARE THERE DIFFERENT TYPES OF TIDS?

<u>TID Type</u>	<u>Basic Requirements</u>	<u>Key Characteristics</u>
<b>Blight TID</b> Lifespan: 27 yrs	<ul style="list-style-type: none"><li>• At least 50% of the area must be blighted.</li><li>• Focus on eliminating conditions that cause blight.</li></ul>	<ul style="list-style-type: none"><li>• Aims to revitalize areas with deteriorated or decaying structures and infrastructure.</li><li>• Addresses conditions that negatively impact public health, safety, and welfare.</li></ul>
<b>Rehabilitation/ Conservation TID</b> Lifespan: 27 yrs	<ul style="list-style-type: none"><li>• At least 50% of the area must need rehabilitation or conservation.</li><li>• Focus on preserving and improving existing structures and areas.</li></ul>	<ul style="list-style-type: none"><li>• Targets areas where existing buildings or infrastructure require upgrades or repairs.</li><li>• Promotes the preservation of historical or architecturally significant properties.</li></ul>

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<p><b>Industrial TID</b> Lifespan: 20 yrs</p>	<ul style="list-style-type: none"> <li>At least 50% of the area must be suitable for industrial uses.</li> <li>Focus on attracting or expanding industrial development.</li> </ul>	<ul style="list-style-type: none"> <li>Encourages the development of manufacturing, warehousing, and other industrial facilities.</li> <li>Aims to create jobs and expand the local economy.</li> </ul>
<p><b>Mixed-Use TID</b> Lifespan: 20 yrs</p>	<ul style="list-style-type: none"> <li>At least 50% of the area must be suitable for mixed-use development.</li> <li>Focus on creating areas with a combination of residential, commercial, and/or industrial uses.</li> </ul>	<ul style="list-style-type: none"> <li>Promotes the development of vibrant, walkable areas that combine different types of land uses.</li> <li>May include a mix of housing, retail, office, and entertainment.</li> </ul>
<p><b>Environmental Remediation TID</b> Lifespan: 27 yrs</p>	<ul style="list-style-type: none"> <li>Focuses on the remediation of environmentally contaminated sites.</li> <li>Created to cleanup sites.</li> </ul>	<ul style="list-style-type: none"> <li>Enables the cleanup of brownfield sites, and other environmentally damaged locations.</li> <li>This allows for the reuse of land that otherwise may be unusable.</li> </ul>

**TID CREATION & REQUIREMENTS:** Districts must meet specific criteria based on TID type, zoning, land use, and economic necessity. Each district has a defined lifespan.

**TID CONSIDERATIONS:** Critical questions to consider before creating a TID:

1. "But For" a TID would the proposed development occur?
2. What are the market conditions? Is there demonstrated market demand for the proposed development?
3. Is the developer financially sound and capable of completing the project?
4. What are the potential economic downturns, changes in market conditions, or other factors that could impact the project's success?
5. What is the likelihood that the development will occur?
6. Is the lifespan of the TID sufficient to generate the tax increment necessary to fund the proposed project?
7. Can the projects be completed within the TID's lifespan?
8. Will the timing of project implementation align with market demand and community needs?
9. What are the potential impacts on other taxing jurisdictions?
10. Is there broad community support for the TID?
11. Is the proposed project consistent with the municipality's comprehensive plan?
12. Are there sufficient staff and resources to oversee the project?
13. Is there a clear plan for ongoing monitoring and evaluation?

**FUNDING METHODS:** TIF projects can be financed through municipal debt issuance or a Pay-As-You-Go system where developers front costs and are reimbursed through tax increments.

**CHALLENGES & SOLUTIONS:** Issues like underperforming TIDs, funding gaps, and legislative changes require careful financial oversight, debt restructuring, and proactive adjustments.