

# **City of Watertown Tax Increment District No. 9**

**Plan Commission Meeting & Public Hearing  
September 23, 2024**

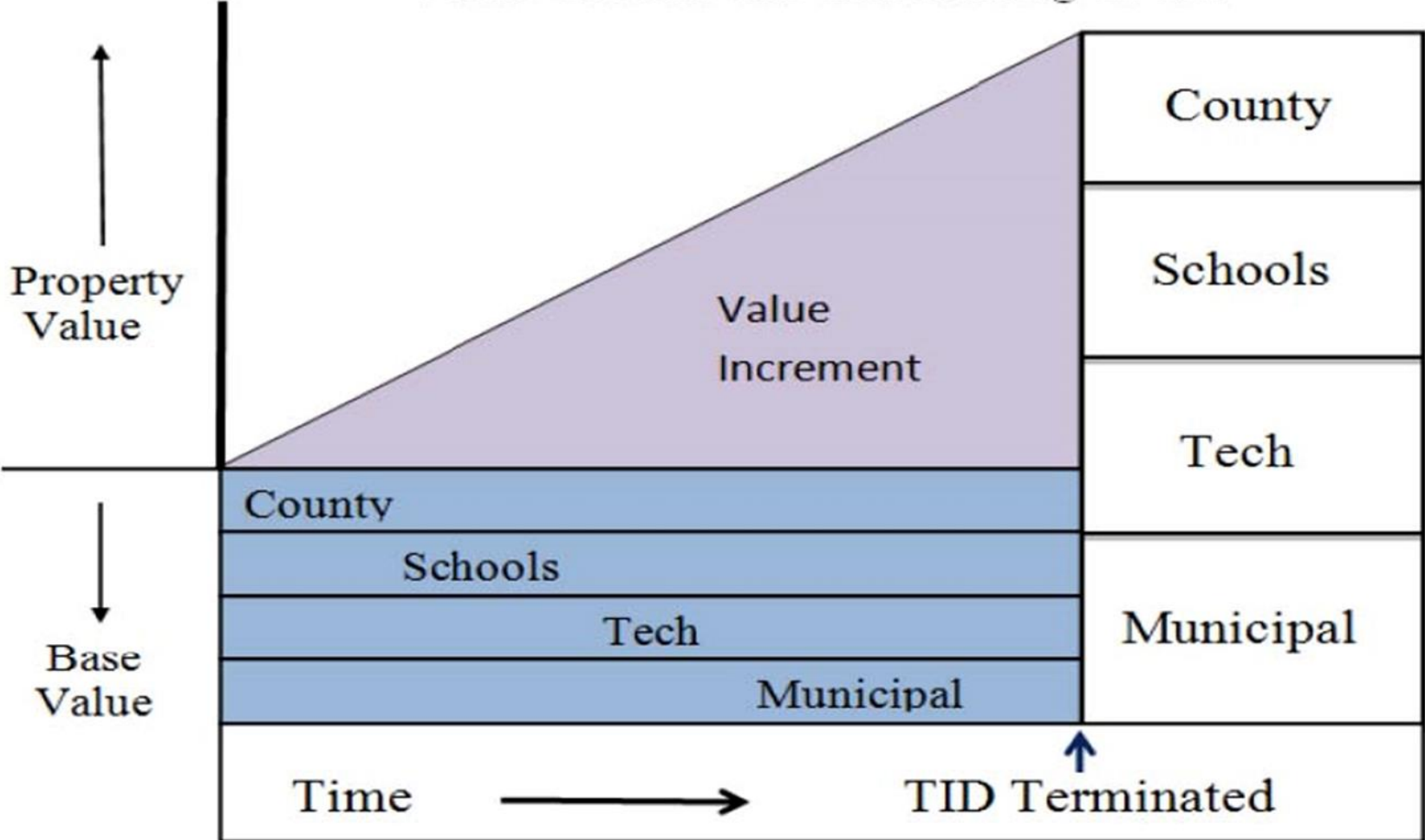


**VANDEWALLE &  
ASSOCIATES INC.**

# How TIF Works

## Sharing the Tax Base

### Value Growth and Tax Sharing in TIF



Source: Wisconsin Department of Revenue

# Key Terms

- **Base Value** – value at start of TID
- **Value Increment** – added value to TID
- **Tax Increment** – annual revenue to TID
- **Expenditure Period** – 15 years for “mixed use” TID
- **Termination Date/Life** – 20 years for “mixed use” TID
- **Upfront Bonding/Cash Grants** – City provides finances
- **Pay-as-you-go** – Developer provides financing
- **Joint Review Board (JRB)** – School District, Technical College, County, City, Member at-large

# Eligible Project Costs

- **Eligible costs include, but not limited to:**
  - Capital costs including public infrastructure
  - Cash grants to developers with appropriate development agreements
  - Property assembly/relocation costs
  - Demolition/site preparation costs
  - Planning/engineering/legal for preparation of project plan
  - Marketing and project concepts for projects within the TID
  - Prorated capital and administrative costs per % necessitated by TID

# Ineligible Project Costs

- **Ineligible costs include, but not limited to:**
  - General operating expenses unless planning/legal/engineering for creation of TID
  - Capital and administrative costs beyond % necessitated by TID
  - Constructing or altering administrative, police, fire, libraries, & school buildings
  - Cost of expanding a facility generally funded by user fees
  - Cash grants to owners, lessees or developers WITHOUT a signed development agreement sent to JRB (if existing) or kept on file in the community

# “But For” Test

- Public purpose/benefit:
  - Eliminate blight
  - Diversify tax base
  - Create jobs
  - Remove social hazards
  - Environmental clean-up
  - Improve transportation/utility services

# Financing Strategy

- Pay as you go vs. up-front municipal bonding  
Which to use?
  - Policy
  - Risk
  - Developer guarantees
  - Project needs
  - Interest costs
  - Nature of what's being funded/public benefit

# TID Project Plan Requirements

- TID boundaries
- Type of TID and term
- Existing and future land uses/zoning
- Project costs/expenditures
- Financing mechanisms
- Development projects
- Financial feasibility
- “But for” finding



# Process

- September 17
  - JRB Organizational Meeting
- Today, September 23
  - Plan Commission Public Hearing
- October 21
  - Council Adoption
- JRB Approval Meeting
  - *Between November 5-12*

# 12% Test

12% Test		
Total City EAV (2023)		\$ 2,270,365,200
12% Test		\$ 272,443,824
<b>Increment of Existing TIDs</b>		
TID #4	2.71%	\$ 61,503,600
TID #5	0.20%	\$ 4,513,100
TID #6	0.20%	\$ 4,554,200
TID #7	0.83%	\$ 18,875,100
TID #8	0.28%	\$ 6,329,400
<b>Total Existing Increment</b>	<b>4.22%</b>	<b>\$ 95,775,400</b>
Total TID #9 Base Value		\$ 9,637,200.00
TID #9 and TID #5 Overlap		\$ 8,540,800.00
TID #9 value for 12% test		\$ 1,096,400.00
Projected Base of TID #9	0.05%	\$1,096,400
<b>Total Value Subject to 12% Test</b>		<b>\$96,871,800</b>
<b>Compliance</b>	<b>4.27%</b>	<b>PASS</b>

- Equalized value of new district plus value increment of exiting districts

# TAX INCREMENT DISTRICT NO. 9

# TID #9 Proposed Boundary



# Mixed-Use TIF District

- Lands proposed for newly platted residential comprise less than 35% of the total area of the district
- At least 50%, by area, of the real property within the district is suitable for mixed-use development
- 15-year expenditure period
- 20-year maximum life

# Development Value Assumptions: TID #9

Year		Residential	Commercial	Total Development Increment by Year	Cumulative Value Increment
0	2025			\$0	\$0
1	2026	\$9,720,000		\$9,720,000	\$9,720,000
2	2027	\$3,240,000		\$3,240,000	\$12,960,000
3	2028		\$250,000	\$250,000	\$13,210,000
4	2029			\$0	\$13,210,000
5	2030		\$250,000	\$250,000	\$13,460,000
6	2031			\$0	\$13,460,000
7	2032		\$250,000	\$250,000	\$13,710,000
8	2033			\$0	\$13,710,000
9	2034		\$250,000	\$250,000	\$13,960,000
10	2035	\$15,000,000		\$15,000,000	\$28,960,000
11	2036		\$250,000	\$250,000	\$29,210,000
12	2037			\$0	\$29,210,000
13	2038		\$250,000	\$250,000	\$29,460,000
14	2039			\$0	\$29,460,000
15	2040		\$250,000	\$250,000	\$29,710,000
16	2041	\$5,000,000		\$5,000,000	\$34,710,000
17	2042			\$0	\$34,710,000
18	2043			\$0	\$34,710,000
19	2044			\$0	\$34,710,000
20	2045	\$0		\$0	\$34,710,000
<b>Totals</b>		<b>\$32,960,000</b>	<b>\$1,750,000</b>	<b>\$34,710,000</b>	

- \$34.7 M new value with potential timeline in order to review projected tax increment
- Assumptions based on potential projects
- One scenario



# Projected Tax Increment (New Revenues): TID #9

Assumptions	
Annual Inflation During Life of TID.....	0.00%
2023 Gross Tax Rate (per \$1000 EV).....	\$17.18
Annual Adjustment to tax rate.....	0.00%
Investment rate.....	0.00%
Data above dashed line are actual	

Revenues		
(e)	(f)	(g)
Tax Revenue	Investment Proceeds	Total Revenues
\$0	\$0	\$0
\$0	\$0	\$0
\$167,020	\$0	\$167,020
\$222,693	\$0	\$222,693
\$226,989	\$0	\$226,989
\$226,989	\$0	\$226,989
\$231,285	\$0	\$231,285
\$231,285	\$0	\$231,285
\$235,581	\$0	\$235,581
\$235,581	\$0	\$235,581
\$239,876	\$0	\$239,876
\$497,623	\$0	\$497,623
\$501,919	\$0	\$501,919
\$501,919	\$0	\$501,919
\$506,215	\$0	\$506,215
\$506,215	\$0	\$506,215
\$510,511	\$0	\$510,511
\$596,426	\$0	\$596,426
\$596,426	\$0	\$596,426
\$596,426	\$0	\$596,426
\$596,426	\$0	\$596,426
\$596,426	\$0	\$596,426
\$596,426	\$0	\$596,426
<b>\$8,023,834</b>	<b>\$0</b>	<b>\$8,023,834</b>

- \$8M new revenue
- Flat tax rate
- Flat inflation
- = conservative estimate
- one scenario

# Proposed Priority Projects and Expenses: TID #9

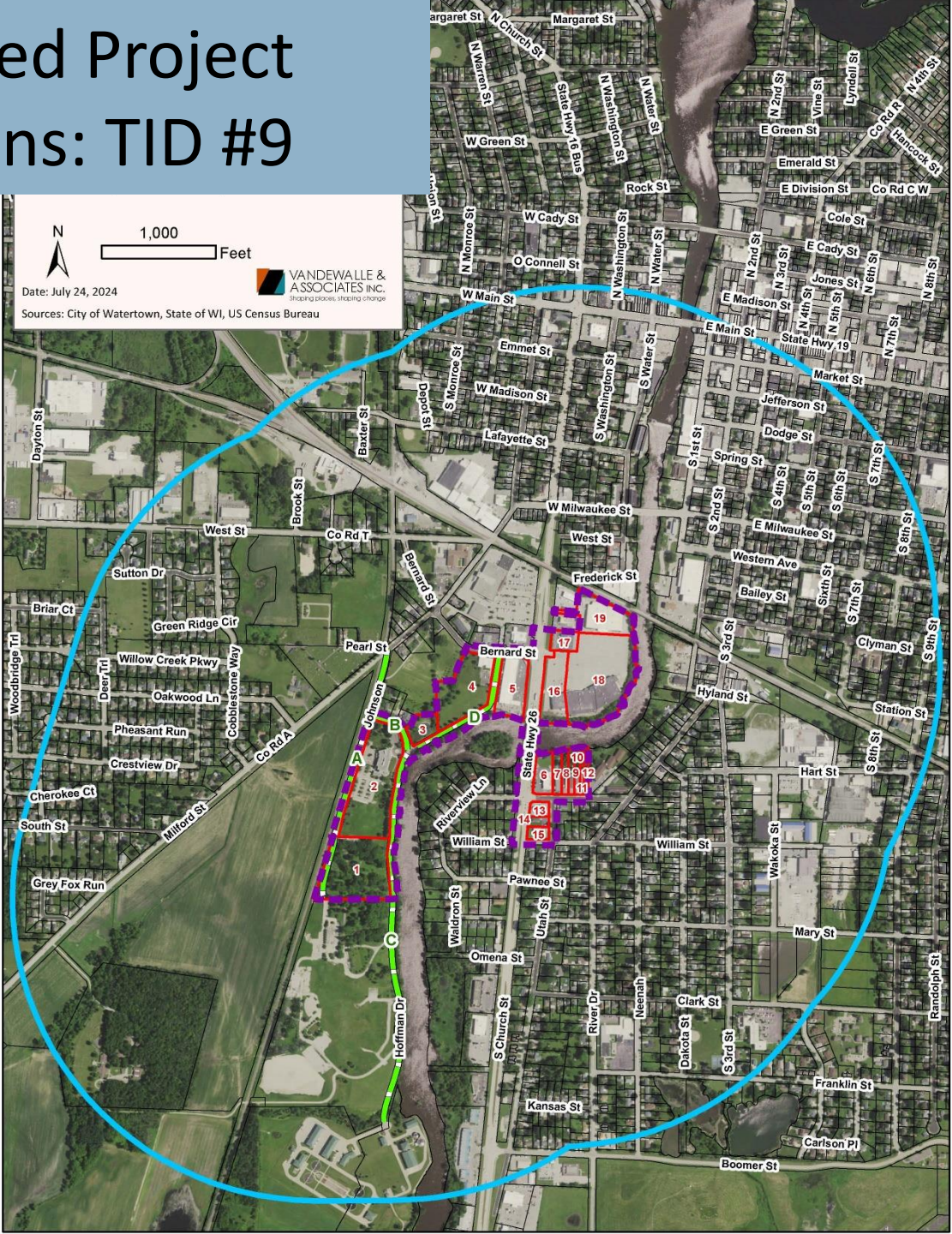

#	Project Category/Description	Cost Estimate	Contingent Expenses	Year
<b>Capital Costs</b>				
	[none]	\$0	\$0	
<b>Infrastructure</b>				
A	Johnson Street Reconstruction – Milford St to Termini*	\$575,000		2025
B	Hoffman Drive Reconstruction – Johnson St to Fairview Dr	\$140,000		2026
C	Hoffman Drive Resurfacing – Fairview Dr to Termini*	\$400,000		2027
D	Fairview Drive & Montgomery St Resurfacing-Hoffman Dr to Bernard St.	\$155,000	\$35,000	2028
E	Bernard Street Resurfacing – Milford St to S Church St*		\$235,000	
F	Depot Street Resurfacing – Lafayette St to W Madison St*		\$40,000	
G	Baxter Street Reconstruction – Lafayette St to Termini*		\$140,000	
H	Stimpson Street Reconstruction – Riverview Ln to S Church St*		\$160,000	
I	Riverwalk - Railroad Corridor to S Church St*		\$4,800,000	
<b>Real Estate Acquisition and Relocation</b>				
	Real Estate Acquisition*			
<b>Economic Development Incentives</b>				
	Development Incentives (subject to development agreement)	\$5,106,057		
<b>Administrative and Professional Services*</b>				
	Administrative Projects	\$700,000		
<b>Finance Charges and Interest</b>				
	Finance Charges and Interest	\$384,563		
<b>Donations to other TIF Districts</b>				
	[none]			
<b>Total Priority Project Expenditures</b>		<b>\$7,460,620</b>		
<b>Total Contingent Project Expenditures</b>			<b>\$5,410,000</b>	

- \$1.27M infrastructure
- \$5.1M incentives
- \$1.1M finance/admin
- Total \$7.4M
- Costs less (\$7.4M) than revenues (\$8M) = financial feasibility
- Note contingent expenses



# Proposed Project Locations: TID #9

N  
1,000 Feet  
Date: July 24, 2024  
Sources: City of Watertown, State of WI, US Census Bureau





# Bond Issuances: TID #9

Example New Issue \$500,000 G.O. Promissory Notes Dated April 1, 2027					Example New Issue \$770,000 G.O. Promissory Notes Dated April 1, 2039				
Expenditures									
(h) Payments to Developer	(i) Principal	(i) Interest	(k) Less: Estimated Bid Premium	(l) Debt Service	(m) Principal	(n) Interest	(o) Debt Service	(p) Administrative Expenses	(q) Combined Expenditures
<b>65%</b>	(4/1)	(4/1 & 10/1) TIC= 3.70%			(4/1)	(4/1 & 10/1) AVG= 4.00%		<b>(1)</b>	
\$0								\$50,000	\$50,000
\$0								\$50,000	\$50,000
\$0								\$50,000	\$50,000
\$144,751	\$10,000	\$38,243	(\$872)	\$47,370				\$50,000	\$242,121
\$147,543	\$25,000	\$24,345		\$49,345				\$50,000	\$246,888
\$147,543	\$25,000	\$22,845		\$47,845				\$50,000	\$245,388
\$150,335	\$25,000	\$21,345		\$46,345				\$40,000	\$236,680
\$150,335	\$30,000	\$19,695		\$49,695				\$40,000	\$240,030
\$153,127	\$30,000	\$17,895		\$47,895				\$40,000	\$241,022
\$153,127	\$30,000	\$16,245		\$46,245				\$40,000	\$239,372
\$155,920	\$35,000	\$14,620		\$49,620				\$40,000	\$245,540
\$323,455	\$35,000	\$12,861		\$47,861				\$40,000	\$411,316
\$326,247	\$40,000	\$10,968		\$50,968				\$25,000	\$402,215
\$326,247	\$40,000	\$8,948		\$48,948				\$25,000	\$400,195
\$329,040	\$40,000	\$6,928		\$46,928				\$25,000	\$400,967
\$329,040	\$45,000	\$4,781		\$49,781		\$46,200	\$46,200	\$25,000	\$450,021
\$331,832	\$45,000	\$2,734		\$47,734		\$30,800	\$30,800	\$10,000	\$420,366
\$387,677	\$45,000	\$911		\$45,911	\$95,000	\$28,900	\$123,900	\$10,000	\$567,488
\$387,677					\$160,000	\$23,800	\$183,800	\$10,000	\$581,477
\$387,677					\$165,000	\$17,300	\$182,300	\$10,000	\$579,977
\$387,677					\$170,000	\$10,600	\$180,600	\$10,000	\$578,277
\$387,677					\$180,000	\$3,600	\$183,600	\$10,000	\$581,277
<b>\$5,106,929</b>	<b>\$500,000</b>	<b>\$223,363</b>	<b>(\$872)</b>	<b>\$722,490</b>	<b>\$770,000</b>	<b>\$161,200</b>	<b>\$931,200</b>	<b>\$700,000</b>	<b>\$7,460,619</b>

- \$1.27 M in borrowing to cover infrastructure costs.
- Incentives → pay go

# Cash Flow: TID #9

- Positive balance at end of life

TID Status		Year
(r) Annual Balance	(s) Year End Cumulative Balance <i>(December 31)</i>	
		2025
(\$50,000)	(\$50,000)	2026
(\$50,000)	(\$100,000)	2027
\$117,020	\$17,020	2028
(\$19,428)	(\$2,408)	2029
(\$19,899)	(\$22,306)	2030
(\$18,399)	(\$40,705)	2031
(\$5,395)	(\$46,100)	2032
(\$8,745)	(\$54,846)	2033
(\$5,442)	(\$60,288)	2034
(\$3,792)	(\$64,079)	2035
(\$5,663)	(\$69,742)	2036
\$86,307	\$16,564	2037
\$99,704	\$116,269	2038
\$101,724	\$217,993	2039
\$105,248	\$323,241	2040
\$56,194	\$379,435	2041
\$90,145	\$469,580	2042
\$28,938	\$498,518	2043
\$14,949	\$513,467	2044
\$16,449	\$529,916	2045
\$18,149	\$548,065	2046
\$15,149	\$563,215	

# NEXT STEPS

# Process

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